

The terms "Nagarro", "company", "the group" and "we" in this report refer to "Nagarro SE and its subsidiaries".

Section A

Combined Management Report

of Nagarro SE and the Nagarro Group

What a year it was!

Nagarro took some long strides in 2022. These strides got us closer to a long-coveted objective – 1 billion dollars in annual revenue. As we prepare to race beyond this milestone with its nice round number, we take a moment to look back on what has got us here and set new goals for the future.

Nagarro of course has a rich founding story, with roots stretching back up to three decades across many countries and many co-founders. A majority of the co-founders are still with the company. Besides the co-founders, several other bright and energetic Nagarrians have played outside roles in the company's expansion from its humble beginnings. A majority of these kindred spirits, too, are still with the company. Each of these individuals has their own superpower.

Together, as a team, we are a powerful force! Together, there is no aspect of our business that we do not understand deeply. We have strategized and delivered Nagarro's development and growth over a couple of decades.

And it is not as though the world stood still all this while – the industry changed dramatically around us, the competitive environment changed, the technologies changed, and the expectations of clients changed. 2022 was only just the latest year of such tumultuous change.

Through it all, Nagarro has kept evolving steadily. Our offerings have grown, we have spread across the world, and we have kept on scaling. Like a long-distance runner, we have just kept on going!

Brigid Wefelnberg is a Nagarrian (since 2005) who knows a thing or two about running and keeping on going. She recently completed and ranked second among women in the grueling La Mille ultra-marathon. This involved covering 1,215 km across the Sahara in 16 days, sleeping just 2-3 hours each day, with scorching daytime temperatures that rose to almost 50 degrees Celsius! Inspiringly, Brigid took up long-distance running the same year she joined Nagarro, when she was already 42 years old and a mother of two wonderful girls. She has gone on from there to become one of the top ultra-marathoners in the world today. She has run ultra-marathons across the Sahara, of course, but also in the Himalayas, the Pyrenees, the Gobi desert, the Australian outback, the Grand Canyon, and in many other harsh and exotic places.

When asked what mental model she uses during a race to tackle such enormous distances in such challenging conditions, Brigid suggests this:

First, think stage-by-stage, else the sheer magnitude of the total race distance will overwhelm you.

Second, don't waste energy thinking about the competition.

Third, amplify positive thoughts and energies and discard negative thoughts and doubts.

Remarkably, Brigid's mental model for running ultra-marathons can also describe our own mental model on Nagarro's journey till here and beyond. Perhaps it is the quintessential mental model of entrepreneurs! We always maintain big, hairy, audacious goals. And yet, we focus primarily on the here and now - doing well on project after project and developing one capability after another. We seldom waste precious energy obsessing about competitors; we prefer to obsess over our clients and partners instead. We keep the culture positive and caring and dissuade negativity and pessimism.

For over a decade, Nagarro's big, hairy, audacious goal has been an annual revenue of one billion dollars. (We even used a Dr. Evil meme from the Austin Powers movie to amplify it internally.) Now that we are likely to achieve this goal in 2023, what is our new, updated dream for the future?

Numerically, we are now hoping to one day achieve "10-20-30", that is, 10 billion dollars in annual revenue, 20% Adjusted EBITDA margin, and a 30% YoY revenue growth rate. This is the new long-term target. Just to set expectations, this is not a plan and no timelines are defined, but these are the numbers we are thinking about and working towards.

These numbers are important, of course, but our true dream lies beyond the numbers. In our previous annual reports, we spoke at length about how we have been inspired by Toyota's breakout performance in the 1980s and Inditex's breakout performance in the 2000s. They both succeeded in using time as a competitive advantage, the former with "Just In Time" and the latter with "Fast Fashion". We hope to one day be similarly well-known around the world as the exemplar of a fast-moving, agile, entrepreneurial and truly global organization. Further, we believe that our constant investments in developing an excellent, differentiated organization design and culture will in fact be pivotal to achieve the "10-20-30" as well.

How do we see the link between organization design and culture on one hand and performance and growth on the other? Well, technology will keep on getting more powerful, so smaller teams can do more, while the contexts will keep getting ever more time-sensitive, inter-disciplinary and global. We believe that a company like Nagarro that is agile, entrepreneurial, and global in both organizational design and culture, that scales out with lean and small teams, and has an easy fluidic collaboration across business units and regions, will be a company that can adapt quickly and creatively to changing environments. It will have the innate speed and

responsiveness to help its clients deliver digital products and services with short times-to-market. It will carve a distinctive, defensible niche for itself among clients and the talented folks it seeks to attract.

Our core values spell “CARING”: Client-centric, Agile, Responsible, Intelligent, Non-hierarchical and Global. We design our processes to promote our core values. Let us take a few examples. Our selection and promotion criteria dissuade a stereotypical alpha male approach to leadership. Our project leaders are incentivized for client satisfaction, not margins. We delegate much decision-making to projects so that we can be agile in the service of our clients. Our hiring standards are high and unbending. We mostly have no private offices for management, and no special flight or parking perks by seniority. Most company key functions operate globally, so that we act as a truly international company.

But all this design of the processes to reflect the core values still does not, by itself, add up to culture. Organizational design and processes are still possible to copy, but culture usually isn’t. The culture is what is lived, and we Nagarrians live the flat, informal, and non-hierarchical culture from day to day, from country to country. This shared informal culture makes working in Nagarro like working with friends. It keeps the company agile, entrepreneurial and global, and propels us towards our goals and our mission.

For a long time now, Nagarro’s mission statement has been, “To make distance irrelevant between intelligent people”. Distance, in this case, meant all kinds of distance – physical, of course, but also social and emotional. But sometimes this nuance was lost. This year we made the mission statement more explicit: “To make distance and difference irrelevant between intelligent people”.

It is, we believe, an important mission. Microsoft’s purpose is to empower every person and every organization on the planet to achieve more. SpaceX’s purpose is to make humanity interplanetary. Nagarro’s purpose is to get humans to put their human identity first, before their identities based on nationality, politics, religion, color, gender or sexuality. These other identities are used by unprincipled leaders to polarize and divide us, without caring enough that the long-term result may be permanent schisms, hostility, discrimination and even war. At Nagarro, we are, in our own small way, pushing back.

While we race to colonize other planets, while we race to use technology to become super-human, we must also race to become truly and undilutedly human first. This is the race we want to run.

I. Structure and management

Nagarro has no headquarters. True to our mission “to make distance and difference irrelevant between intelligent people”, we have offices in 33 countries and roughly a dozen nationalities in senior management. This diversity stands in contrast with that of most peers.

Also, unlike our peers, Nagarro has a virtual global organizational model that deprecates country organizations. Our primary internal dimension is that of our global business units or GBUs. The GBU leadership may sit anywhere in the world. Similarly, the leadership for any account within the GBU or any project within the account may sit anywhere in the world. GBUs are created around verticals or horizontals or for other specific needs. Our GBU leaders are ambitious entrepreneurs, but collaboration for the greater good is prized over personal ambition in our design and culture.

The GBUs are supported in their growth by the Sales and Marketing Units (SMUs) that map approximately to our Client Regions - North America, Central Europe, Rest of Europe and Rest of World. Since our GBUs are reorganized frequently, we have chosen the Client Region as our official reporting segment.

From an R&D and thought leadership perspective, the GBUs are supported by the practices, which lie within the GBUs, and by the global Centers of Excellence, which lie outside them. Finally, the GBUs are also supported by the central functions such as those for talent planning and allocation, talent enhancement, finance, legal and compliance, and by the region-wise administrative units called Service Regions.

We do not have traditionally strong CXO roles in the company in order to protect the primacy of GBU leaders. Hence, for example, the CFO role is replaced by a Finance Council, with each member of the council having a definite area of responsibility while still collaborating with each other and with the larger senior management team. Similarly, we have a global HR Council instead of a CHRO.

Nagarro is steered by its large senior management team, of which the Management Board is a part. The senior management team includes all colleagues at Level 6 seniority in our virtual organization, that is, Managing Directors (not to be confused with the managing directors of legal entities) and CTOs. It also includes colleagues in other important roles who may not yet be at Level 6, including GBU leaders, Service Region Custodians and people in key central roles. Further, it includes the participants of our revolving Glass Window diversity program.

Topics such as finance, enterprise data, legal, risk and compliance are centralized, given their nature. Notably, talent allocation and planning is also centralized and global. On the other hand, topics such as local administration are decentralized and handled by the Service Region Custodians.

The no-headquarters, entrepreneurial and informal way the senior management operates and collaborates is exemplified by the format of its periodic meetup, which we call the senior management conflux. In 2022, this was held in November in Dubai. The conflux format has no theme, no topics, no working sessions, no breakout groups, no team-building exercises, no target-setting, not even any opening or closing speeches. The format gives everyone 10 minutes to speak to the group, whenever they want, on any subject at all. Some people even recite poetry or do some stand-up comedy. The only hard rule is the 10 minutes.

The participants come from all over the world and may be meeting after a year or more. Some may even be all-new, perhaps having joined us via an acquisition. So you may think the conflux might be erratic, arbitrary and directionless. It is none of that. It flows like a poem. The speakers riff off what went before, they adapt in real-time, and patterns emerge. There is showmanship but also honesty - with many acknowledging their vulnerabilities and frustrations. The evening soirées are casual and fun, filled with unexpected link-ups and conversations. By the time the conflux winds down, there's a feeling that nothing important has been left unsaid. We leave energized and each one has their own takeaways.

Since 2019, we have expanded our senior management conflux with the participants of the rotating Glass Window diversity program. This year, we went further and live-streamed the entire event, making it available to everyone in the company. Several thousand Nagarrians tuned in live, which may be a first for a company of our scale.

These atypical ways of working do take some getting used to. There is a small integration team that works to introduce each newly acquired company into our culture and way of working. Integrations usually proceed gradually. The foremost goal is to drive business synergies, by taking the capabilities of the newly acquired part to the rest of the Nagarro world, and bringing capabilities of the rest of the Nagarro world to the clients of the new part. Then there is the cultural integration, where we come together on Nagarro's common digital meeting places. We also look to identify exceptional people and new ways of working from the acquired companies early and leverage them globally.

Over time, the systems of acquired companies are also integrated. We believe common systems are an important driver of common culture. Our proprietary "business operating system", Ginger, is a friendly, conversational face of the company to each and every Nagarrian. It provides personalized answers and guidance, for both performance and cultural objectives. Our cloud ERP and other systems reflect our global virtual organizational design.

II. Business model and focus on growth

Nagarro's business model is based on systematically adding value to both employees and clients. We hire and deploy great professionals, most of whom are software experts. We help them enhance their skills with training and hands-on experience, but we also help them to live more fun and satisfying lives.

We work with a diverse blue-chip client base comprising more than 1,000 clients across 63 countries. To these clients, we bring great talent, but that's not all. We also offer institutional knowledge and transformational capability across many different industry domains. Our bouquet of specialized services includes digital product engineering, digital commerce and customer experience, Big Data and AI services, new-gen ERP consulting and managed services. We typically invoice monthly for our time plus expenses or against time- or deliverable-based milestones in fixed price contracts. Most of our revenue in any year comes from existing clients.

We understand the need to maintain decent margins, but we prioritize growth with an eye on the long-term. Within existing accounts, we typically grow by adding more and more services to the engagement, and/or by spreading from one division to another. Within multinational clients, we may also grow from country to country.

To win new clients, we rely on a large armory of compelling testimonials, case studies and references. We can often, with great effect, match these precisely to the client's industry, to the client's current topics of interest, and to the client's region. When the client's topics are interdisciplinary, the fluid collaboration we have internally helps us leverage our combined knowledge and expertise.

Powerful though they are, the testimonials, case studies and references that give us credibility are ultimately historical. In contrast to these, another driver of growth are our investments in future capabilities. However, we do not measure or report them separately, because in our operational context they are closely intertwined with our regular working with new technologies and with our regular mode of client interactions. In our financial statements, these are included under cost of revenues. These investments take many forms; for example, researching the application of a new technology to a known industry problem, or subsidizing an ideation workshop with a client to test out some new concepts, or building a technology proof-of-concept with our own funds or subsidizing it for a client. We do not see such investments in future capabilities as necessarily driving our short-term growth, but we deem them valuable to secure our medium-term growth trajectory.

We also look to grow inorganically through M&A. We have an acquisitions team that is always on the lookout for excellent businesses that may be constrained by being subscale or regional. The most attractive targets have specialized capabilities or deliver access to great clients or to new regions for talent. We also assess each target for cultural fit – our cultures need not be identical at the outset, but there must be a good possibility of a healthy convergence from both directions.

The growth patterns described above – growing organically in existing clients, acquiring new clients with the flywheel of testimonials and case studies, engineering investments in new capabilities, and occasional investments in M&A – all help us towards our management goal of becoming a company of formidable reputation and scale. Size is, for us, a proxy for reputation and success in our client engagements. Size also means that the company is more likely to outlive us and more likely to be an exemplar for new ways of agile, entrepreneurial and global working.

III. The business environment

The financial news in 2022 was dominated by worries about the global economy. Inflation was at a record high in many countries. In response to this, central banks raised interest rates and signaled they would keep raising them till inflation was brought under control. The concomitant worry was that the central banks would over-correct and drive the world into recession.

The Russian invasion of Ukraine pushed the world into another crisis. Apart from the direct risk of that conflict spilling over into the rest of Europe, there was the stress of reduced energy supplies and increasing prices.

The expectations of investors also changed. With rising interest rates, company valuations that depended on projections of high earnings growth were significantly impacted. Many technology companies fit this description, including our digital product engineering peers and Nagarro itself. Share prices of these companies came under pressure right from the start of 2022 and stayed depressed through the year. Investor flight to safety also led to fewer investments in startups and early-stage companies.

Some of the world's most prominent technology companies went through cost-cutting and layoffs. So did many smaller software companies. The gloomy mood did not, however, percolate through to the IT services employers like Nagarro, of which several prominent ones continued to grow through 2022. A likely explanation was that many clients continued to pursue their digital transformation programs despite a looming global recession, and continued to develop new digital products and services, even if the pace was no longer as frenetic.

In sum, the market for tech talent did gradually slow in many countries, going from red-hot at the beginning of the year to being closer to typical by the end of the year. This relieved wage inflation pressures in some countries. Many companies that report attrition publicly also reported reduced attrition levels.

One excellent development in 2022 was the fading of the Covid menace in most countries (China was a notable exception). Several companies in our industry began to pressure their employees to spend more time in their offices. At Nagarro, we did no such thing, yet. Rather, we leaned towards giving Nagarrians the freedom to choose where they worked from. This was both to attract the best talent regardless of its location preferences, but also to drive a modern, global, scalable way of collaboration.

In any case, this was not an unrestricted freedom guaranteed for all time, and on this topic, as indeed on most others, we intend to be agile and pragmatic, not fixed and dogmatic.

Meanwhile, through 2022, our informal digital forums and virtual activities continued to expand in order to maintain the company's competitive edge, spirit and culture even as we scaled across the world. Many of the popular forums were chained together under an internal brand called LSD, which stands for "Learn, Socialize and Disrupt". Heavily edited and shortened videos of many sessions were also made available for quick, casual viewing.

Despite all the hubbub of virtual activities, travel continued to recover from the impact of the pandemic. A significant part of the travel was for meetings among Nagarrians from different locations. Such travel included both regional travel as well as international travel. Special mention may be made of the largest regional party, the South Asia get-together called Jalsa, which brought together around 8,000 Nagarrians in Gurugram, India.

IV. Milestones crossed

There were many accomplishments in the year, but what towers over them is one overall triumph – in 2022, we were one of the fastest growing companies in our industry.

Whether you consider our YoY organic revenue growth (47.3%, 39.3% in constant currency), or our YoY overall revenue growth (56.8%, 48.0% in constant currency), Nagarro was the company to beat.

What's more, this growth was achieved in a relatively calm and steady manner, leveraging the organizational assets we had developed over the years. It was a little different from 2021, which this same section of the annual report had described breathlessly with, "Words cannot convey the fast, frenetic nature of the year". In 2022, we were prepared for growth, and we scaled quite smoothly. With the preliminary results for Q2 2022, we set a dramatic Nagarro record for 5 consecutive quarters of 10% or more QoQ revenue growth.

In 2021, we had crossed the 10,000-employee milestone and celebrated it by planting 10,000 trees via Tree-Nation. In 2022, when we crossed the 18,000-employee milestone, we again planted a tree for each employee via Tree-Nation. We ended the year with 18,250 Nagarrrians.

These Nagarrrians were, by and large, very happy to be part of the Nagarro family. The company bagged various awards related to our efforts to make Nagarrrians engaged, happy and energized. In India, we won first place among large IT companies in the AmbitionBox Best Places to Work Award, which was based on an employee survey conducted by AmbitionBox, an InfoEdge company. We also placed first runner-up in the Global HR Best Innovative and Sustainable Practices Championship organized by the UN Global Compact - India. Elsewhere, Kununu, the best-known employer rating platform in German-speaking countries, gave the seal of "Top Company 2022" to the largest Nagarro subsidiary in Germany and to Nagarro in Austria. In Romania, our "Own Your Story" campaign was awarded by the Employer Branding Conference for being one of the best new employer brand efforts.

We also continued to engage Nagarrrians in giving back to our communities. In Austria, we won the DiePresse newspaper's Digital Impulse Award for our smartglass project, "Indoor navigation for the visually impaired". In India, one of our senior management members won the TV channel NDTV's True Legend award, given in recognition of our efforts to make Indian cities safer and more convenient for walking, cycling and public transport.

The Nagarro family spread to 33 countries. During the year, we incorporated legal entities in Ecuador, Colombia, Kingdom of Saudi Arabia, Portugal and Spain. We also opened new offices in Chennai, Kolkata and Patna in India and Riyadh in Kingdom of Saudi Arabia, Porto in Portugal, Madrid in Spain and Quito in Ecuador. There was also inorganic growth in our geographical reach. In Q1, we acquired RipeConcepts, a leader in global digital creative services, with headquarters in Salt Lake City, USA, and the majority of its employees in Cebu, Philippines. At the time of acquisition, the company had over 650 full-time employees. In the same quarter, we acquired Techmill, a front runner in fintech services, with headquarters in Singapore and the majority of its employees in Mysuru, India. At the time of acquisition, the company had approximately 180 full-time employees. Through these two acquisitions, we also added locations in Cebu in Philippines, Salt Lake City in USA, and Mysuru in India.

V. Financial performance

Nagarro's performance in 2022 was good. We believe this performance compares very well with the performance of the broader industry. The pressure on gross margins continued but we were able to steer towards our 2022 target Adjusted EBITDA margin while keeping our foot on the accelerator in terms of growth.

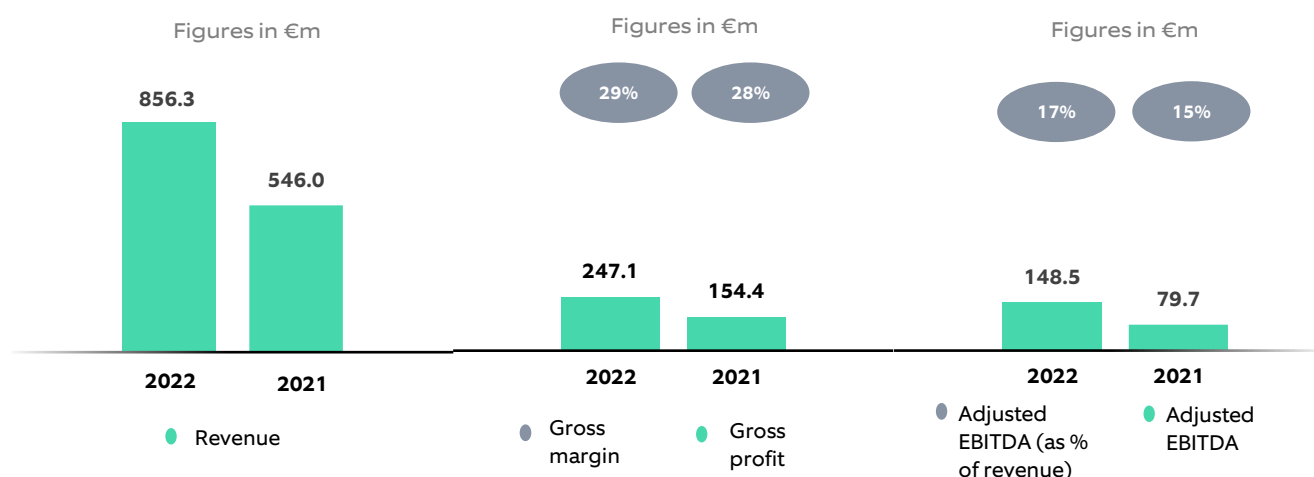
Our primary financial KPIs are revenues, gross margin and Adjusted EBITDA. Gross margin is the ratio of gross profit to revenue, where gross profit is calculated after reducing from the total performance all direct costs needed to service the revenue. The direct cost comprises personnel costs related to Nagarro's engineering function, as well as associated travel and other costs. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization (EBITDA) adjusted to exclude effects that we consider extraordinary, such as purchase price adjustments, goodwill, foreign exchange effects on purchase price, sale of equity investments, stock option plan costs, the expenses related to the rollover of minorities and acquisition expense. Adjusted EBITDA is calculated according to economic criteria and is independent from IFRS rules. Therefore, the Adjusted EBITDA is more suitable for comparing operating performance over several periods. A more detailed definition can be found in the consolidated financial statements.

Nagarro's revenues grew to €856.3 million in 2022 from €546.0 million in 2021, a growth of 56.8%. In constant currency, 2022 YoY revenue growth was 48.0%. Revenues were significantly higher than the forecast of €770 million in the Annual Report 2021, mainly

due to strong demand and ramped up hiring. Gross profit grew to €247.1 million from €154.4 million. Gross margin grew, changing from 28.3% in 2021 to 28.9% in 2022. Adjusted EBITDA grew 86.3% from €79.7 million (14.6% of revenue) to €148.5 million (17.3% of revenue). Gross margin was marginally higher than the forecast of 28% in the Annual Report 2021, while Adjusted EBITDA was higher than the forecast of 14%. Price negotiation with customers in this year helped support the gross margin and the Adjusted EBITDA in 2022. Our most significant adjustments to EBITDA in 2022 are the expense on stock options offered in January 2021 (€3.1 million) and acquisition expense (€0.4 million) and income from purchase price adjustment (€0.6 million).

EBITDA increased by €75.3 million from €70.3 million in 2021 to €145.6 million in 2022. EBIT increased by €66.7 million from €45.7 million in 2021 to €112.4 million in 2022. Net profit increased by €47.3 million to €77.3 million in 2022 against €30.0 million in 2021. Further, compared to 2021, in 2022 there was an increase in depreciation and amortization expense of €8.6 million and increase in interest expense of €3.4 million.

Our financial KPIs for the segments are the same as for the company, except that we do not monitor or report Adjusted EBITDA for the segments. Items like sales expense, general and administrative expense, depreciation, results related to currency fluctuations, results unrelated to the accounting period, interest income and expense, goodwill, depreciation of assets, and income taxes, are not allocated to any segment but are used to reconcile the net income for the segments to the net income of the company.



In 2022, Nagarro generated 40.2% of its revenue from North America (2021: 35.4%), 27.1% of its revenue from Central Europe (2021: 33.4%), 20.9% of its revenue from Rest of World (2021: 16.8%) and 11.9% of its revenue from Rest of Europe (2021: 14.4%).

Among our segments, the standout performance was from the Rest of World segment, which grew 95.1% in revenues to €179.0 million in 2022 from €91.8 million in 2021. Gross margin decreased in Rest of World to 26.2% in 2022 from 30.7% in 2021. The maximum contribution to growth in this segment was from the “Financial Services and Insurance” and “Retail and CPG” industries.

The North America segment grew 78.0% in revenues to €344.1 million in 2022 from €193.3 million in 2021. The most growth in this segment was from the “Automotive, Manufacturing and Industrial” and “Public, Non-profit, Education” industries. Gross margin increased to 31.3% in 2022 from 28.0% in 2021.

The Rest of Europe segment grew 29.3% in revenues to €101.5 million in 2022 from €78.5 million in 2021. The most growth was registered in the “Telecom, Media and Entertainment” and “Travel and Logistics” industries. Gross margin reduced to 28.2% in 2022 from 28.8% in 2021.

Central Europe registered a moderate growth of 27.0% to €231.7 million in 2022 from €182.5 million in 2021. The most growth was registered in the “Automotive, Manufacturing and Industrial” and “Retail and CPG” industries. Gross margin increased in Central Europe to 27.6% in 2022 from 27.1% in 2021.

Revenues from the USA grew 77.9% to €343.2 million in 2022 from €192.9 million in 2021, while those from Germany grew 27.1% to €170.2 million in 2022 from €133.9 million in 2021.

Nagarro operates across a variety of industries. The focus on consumer experience underlies the digital transformation of almost every industry, while the technology used for this also cuts across industries. Innovation occurs increasingly often at the overlaps of the traditional industry definitions. Yet, each industry also requires specialized knowledge, and we have been investing in developing such specialized knowledge in industry after industry.

Industries with robust global growth in 2022 over 2021 included “Management Consulting and Business Information” (87.6%), “Financial Services and Insurance” (77.5%), “Automotive, Manufacturing and Industrial” (68.5%), “Public, Non-profit, Education” (59.3%), “Retail and CPG” (55.8%), “Life Sciences and Healthcare” (51.5%) and “Horizontal Tech” (50.6%).

Industries with the least growth in 2022 over 2021 included “Telecom, Media and Entertainment” (23.7%), “Energy, Utilities and Building Automation” (32.7%) and “Travel and Logistics” (44.7%).

The revenue from our top 5 clients as a percentage of total revenue increased to 15.4% in 2022 from 14.0% in 2021. Revenue from the next 5 largest clients stayed flat at 10.6% compared to 10.6% in 2021, while revenue from clients outside the top 10 declined to 74.0% from 75.4%.

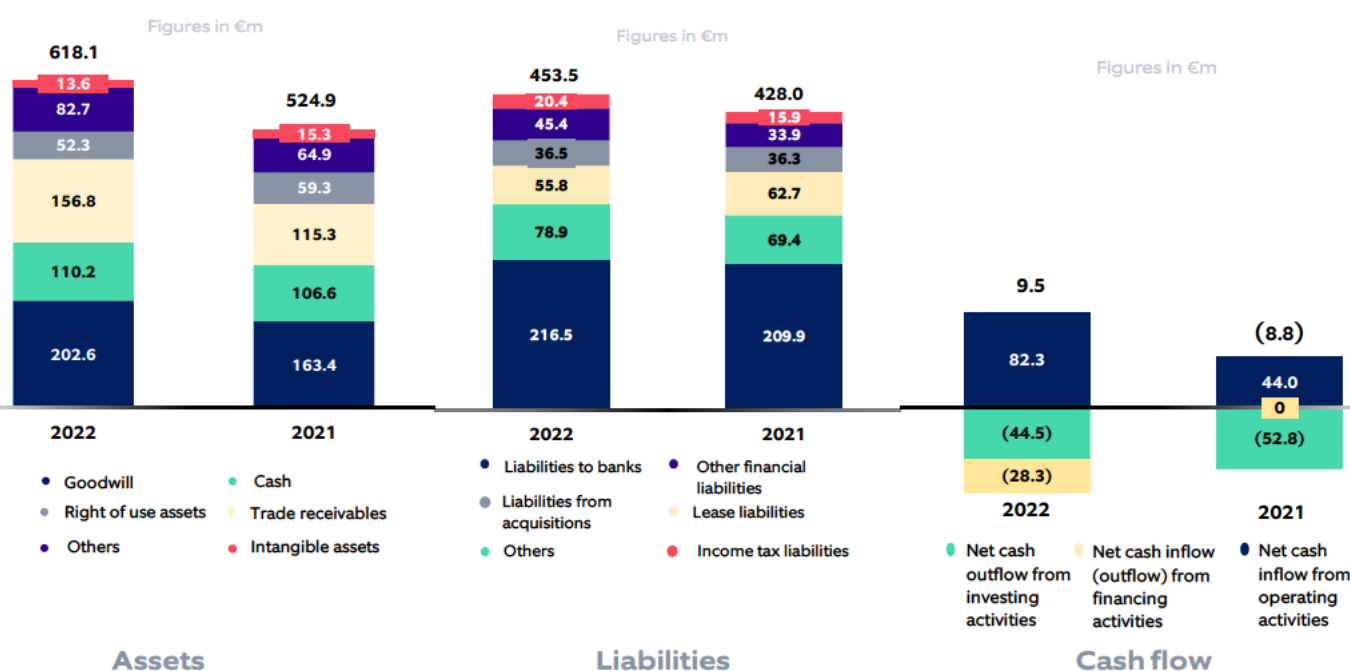
Our clients in 63 countries chose to pay us in various currencies. The top 5 currencies that contributed significantly to our revenues are listed below (in € million).

Revenue currency	2022 mEUR	2021 mEUR
USD	383.0	209.5
EUR	275.4	220.9
INR	101.5	42.5
ZAR	17.0	11.5
AED	13.3	9.3

Nagarro has operations in 33 countries in which it pays its colleagues and vendors in various currencies. The top 5 currencies that contributed significantly to our expenses (net of operating income) including taxes but excluding foreign currency income and expenses are listed below (in € million).

Expenses currency	2022 mEUR	2021 mEUR
INR	337.0	188.4
EUR	182.4	156.1
USD	106.7	65.4
RON	48.9	42.0
CNY	42.6	33.5

VI. Financial position at the end of period



The basic principles of financial management at Nagarro are financial prudence and stability, ensuring a reasonable profitability and assuring adequate liquidity, even as the company grows via calculated entrepreneurial bets. The Finance Council works to ensure we have the right capital structure in place, that we are managing cash and liquidity carefully, and we are managing financial risks such as currency risks with the appropriate instruments.

We target a balanced debt-to-equity ratio that preserves flexibility for the company, allowing it to react to business opportunities and to changes in macroeconomic conditions. Nagarro's syndicated loan also incorporates covenants on the ratio of net debt to Adjusted EBITDA, which the company monitors and complies with.

The company's liquidity position at the end of 2022 was comfortable. The current assets were €323.2 million, of which cash was €110.2 million. The current liabilities were €179.5 million, yielding a working capital of €143.7 million.

Total assets grew by €93.3 million to €618.1 million as of December 31, 2022, as against €524.9 million as of December 31, 2021. Of these, non-current assets increased by €29.9 million to €294.9 million as of December 31, 2022, as against €265.1 million as of December 31, 2021. Within non-current assets, goodwill grew by €39.2 million (mainly on account of the acquisitions of RipeConcepts by €23.3 million, Techmill by €7.1 million and, BC-Unity by €0.1 million and currency differences of €8.7 million), while right of use from leases reduced by €7.1 million (depreciation of €21.7 million offset by addition of €15.2 million mainly in leased servers and laptops). Intangible assets reduced by €1.7 million to €13.6 million (mainly on account of amortization of assets of €7.6 million offset by increase in assets from business acquisitions of €4.5 million, additions of €0.6 million, currency differences of €0.7 million).

Current assets grew by €63.4 million to €323.2 million as of December 31, 2022, as against €259.8 million as of December 31, 2021, within which cash balance increased by €3.6 million to €110.2 million. Contract assets, trade receivables, other current financial assets and other current assets together increased by €55.5 million primarily due to increase in trade receivables by €41.5 million and contract assets by €6.9 million. The increase in trade receivables and contract assets taken together is primarily due to increase in 2022 revenue over 2021 revenue by 56.8% and increase in receivables from certain public sector customers offset by increased factoring utilization of €26.0 million. It may be noted that the company has refined its policy for classification of certain contract assets as trade receivables. Income tax receivable increased by €4.4 million.

Non-current liabilities have increased by €9.4 million to €274.0 million as of December 31, 2022, as against €264.6 million as of December 31, 2021. This is primarily due to additional loan of €15.5 million and re-classification of €4.0 million from current loans to non-current loans as there are no quarterly principal repayments as per the terms of the new refinanced facility. This is offset by decrease in non-current lease liabilities by €9.3 million ((mainly on account of expected earlier vacation of a leased property) and non-current acquisition liabilities by €2.6 million (mainly on account of decrease in ATCS acquisition liabilities by €11.8 million and increase in liabilities from acquisition of RipeConcepts by €6.4 million and Techmill by €3.4 million).

Current liabilities have increased by €16.0 million to €179.5 million as of December 31, 2022, as against €163.4 million as of December 31, 2021. This is primarily due to increase in other current financial liabilities by €11.2 million (mainly payroll liabilities, provision against expected supplier invoices and liabilities from hedging), income tax liabilities by €4.5 million, acquisition liabilities by

€2.8 million (mainly increase in acquisition liabilities of RipeConcepts by €3.6 million and Techmill by €0.3 million offset by decrease in Objectiva acquisition liabilities by €1.8 million) and contract liabilities by €4.4 million. This is offset by reduction in liabilities to banks by €12.3 million (mainly due to payment of €4.0 million loan amount under the older financing facility and re-classification of €4.0 million loan from current liabilities to non-current liabilities as mentioned above and reduction by €4.3 million in factoring liabilities).

Net assets represented by total equity grew by €67.9 million to €164.7 million as of December 31, 2022, as against €96.8 million as of December 31, 2021. The increase is primarily due to increase in total comprehensive income of €74.8 million and increase in capital reserve of €3.1 million (mainly from issuance of stock options under SOP 2020/II and SOP 2020/III). This is offset by purchase of treasury shares of €10.0 million.

Note that management does not review assets and liabilities at the reportable segment level, and therefore segment disclosure relating to total assets and liabilities is not included in the report.

Our total cashflow was positive €9.5 million in 2022 against negative €8.8 million in 2021.

In spite of our rapid growth in 2022 which led to an increase in trade receivables by €41.5 million and contract assets by €6.9 million, our operating cash flow was €82.3 million in 2022 as compared to €44.0 million in 2021. This was mainly due to a strong EBIT and net funds received from factoring of €24.8 million.

The cash outflow from investing activities in 2022 was €44.5 million, mainly due to the payment for acquisition obligations of €40.4 million (€16.9 million for acquisition of RipeConcepts, €7.3 million for acquisition of Techmill and €0.2 million for acquisition of BC Unity, contractual payment obligations from older acquisitions of €16.0 million) and capital expenditure of €4.1 million. The cash outflow from investing activities in 2021 was €52.8 million.

The cash outflow from financing activities in 2022 was €28.3 million as compared to cash flow of €0.0 million in 2021. Major outflows in 2022 were lease payments of €23.5 million, purchase of treasury shares of €10.0 million and interest payments of €6.7 million. This was offset by increase in loans from banks by €11.4 million.

VII. Non-financial KPIs

Our most important non-financial KPI is client satisfaction. We measure client satisfaction in various ways, the most extensive of which is a standardized client satisfaction (CSAT) survey. This survey is sent every quarter to the person responsible for project success on the client side. The CSAT does not cover very small engagements and at any point in time, may also not cover engagements via companies that recently became part of Nagarro. Despite these caveats, the CSAT results are very central to our management system and often form the most important basis for variable pay to project leadership. Each CSAT question asks the client's frequency of satisfaction with a particular aspect of our services. The responses collected are monitored carefully at the aggregate level, at the question level, and at the project level. While minor fluctuations are to be expected, any significant trends are discussed and addressed.

From Q2 2022 onwards, the company revised the CSAT format to sharpen it and make the feedback more actionable. As a result of this change in the survey, the Q2 2022 and subsequent scores will not be comparable with Q1 2022 and previous scores. To be fully transparent, we are providing the Q1, Q2, Q3 and Q4 scores separately in this annual report. Our CSAT score was 95.0% in Q1 2022, using the old survey format, and, using the new survey format, it was 92.5% in Q2 2022, 92.0% in Q3 2022, and 92.2% in Q4 2022. We expect this KPI to remain in this region in 2023. For the record, our CSAT score was 94.5% in 2021, using the old survey format.

The total number of clients with whom we do more than €10 million of business annually rose in 2022 to 16 from 10 in 2021. The average length of our relationship with these clients was 11.5 years. The total number of clients at between €5 million and €10 million revenues rose to 17 in 2022 from 12 in 2021 with an average relationship of 7.2 years. The total number of clients at between €1 million and €5 million rose to 126 in 2022 from 95 in 2021, with an average relationship of 5.0 years. We do not expect significant changes in 2023 to the number of clients in different brackets.

The total number of professionals employed by Nagarro grew to 18,250 at the end of 2022, up from 13,684 at the end of 2021. The professionals in engineering grew to 17,012 in 2022 from 12,613 in 2021. Note that even non-engineers, such as designers, contributing to our engineering efforts are included in professionals in engineering. At year end, the countries with the maximum professionals in engineering were India (13,015), Germany (758), Romania (744), China (633), Philippines (595), USA (411), Mexico (184), United Arab Emirates (182), and Austria (161). We expect the number of professionals and professionals in engineering to both increase by a double-digit percentage in 2023.

Nagarro has for long been involved in many topics connected to environmental and social issues. As a recently listed company, we intend to track our efforts and impact more rigorously and more quantitatively than we have done in the past. Our Combined Non-Financial Statement describes the development, performance, position and impact of our activity on environmental issues, employee

matters, social issues, human rights, corruption and bribery, and can be found at [Section D Joint Non-Financial Statement of Nagarro SE and the Nagarro group](#).

VIII. Research and development

While we work with the latest technology, we do not spend significant sums on traditional R&D. Rather, as a services company, we work with the technology products created by companies such as Adobe, Amazon, Google, Microsoft, Salesforce, SAP, ServiceNow and OpenAI, as well as those created by smaller, more specialized, software vendors. In this, we are similar to most of our peer group. However, we do occasionally capitalize some smaller assets related to R&D. In 2022, we capitalized €0.3 million of intangible assets related to R&D, while amortizing €0.4 million of such assets. The closing value of intangible assets related to R&D on our balance sheet as of December 31, 2022, was €1.1 million.

IX. Developments after December 31, 2022

While these are described in greater detail in the consolidated financial statements, a brief summary is in order here.

Nagarro rolled out an Employee Share Participation Program called MyN (for „My Nagarro“). For every multiple of 3 shares purchased and held by an employee for 3 years (while staying a Nagarrarian), Nagarro will contribute 1 matching share. In the first tranche, around 1,700 employees, representing around 9.3% of total employees, participated in MyN.

Nagarro acquired Infocore Engineering & IT Services GmbH, Germany and its group companies (together “Infocore”). Infocore is an expert in Product Lifecycle Management (PLM) and Manufacturing Operations Management (MOM) solutions. It has approximately 100 full-time employees across the world, with the majority in India, and 2022 revenues in the region of 4 million Euro.

Nagarro signed the share purchase agreement to acquire M.B.İ.S Bilgisayar Otomasyon Danışmanlık ve Eğitim Hizmetleri Sanayi ve Ticaret A.Ş., Turkey (“MBIS”). MBIS is a full-service provider in the Turkish SAP market. It has around 450 full-time employees and 2022 revenues in the region of 21 million Euro.

Nagarro has set up a new subsidiary in Taiwan to tap into the engineering talent available there.

Nagarro’s business has not been greatly impacted by the continuing conflict in Ukraine, or the Covid-19 pandemic. While there have been some signs of potential weakening of demand for Nagarro’s services at select clients due to the global macroeconomic situation, by and large the demand is holding up.

Please consult the consolidated financial statements for more details.

X. Outlook for 2023

[The OECD’s Economic Outlook](#), published in March 2023, suggests that there are signs of some pick-up in global growth after weakness in late 2022, and projects that the global economic growth in 2023 will remain moderate with inflation declining gradually. Of course, it is still very uncertain how these macro-economic dynamics will play out.

At the time of this report, though, and despite the uncertainty and fear, the outlook on the global IT services industry is still cautiously positive. Most major companies in the industry are forecasting a year of reasonable growth. As summarized by IDC, an independent third-party research firm, organizations across industries continue to look to create new sources of value through digital products, services and experiences. They also expect their digital transformation efforts to make them more resilient to global disruptions. IDC estimates that spending on such digital transformation will grow with a 16.3% CAGR between 2022 to 2026. This creates new work for competent, agile and hungry companies like Nagarro.

Of course, Nagarro’s business is not completely immune to what is transpiring in the broader economy. So, we are unlikely to see the meteoric top line growth that we saw in 2022. Rather, we expect Nagarro’s top line growth to be closer to our historical averages. Different industry categories will likely grow at different rates, for example, we are expecting slower growth in the category we call Horizontal Tech.

We also expect those clients to be more cautious about price increases whose own businesses have come under pressure. Luckily for our margins, the challenges on the supply side also may be easing somewhat. We expect demand for top talent to be less competitive in 2023 compared to how it was in 2021 and 2022, and therefore we expect talent shortages to be less of a limiting factor for growth. We also expect wage inflation and attrition to be reduced in general, although there may be regional variations.

Nagarro's profitability is also affected by currency exchange rates, even though some of the effect is blunted by our currency hedging. It is difficult to predict the overall impact of these currency exchange rate fluctuations.

Taking all the above context into account, we are projecting Nagarro's revenue for 2023 to be in the region of €1,020 million, as against €856 million in 2022. We target gross margin in the region of 28%, which is in line with the gross margin in 2022. We target Adjusted EBITDA margin to be in the region of 15%, as against 17.3% in 2022. Acquisitions made in 2023 are not included in these projections. At the segment level, we may expect the organic revenue growth rate to be roughly similar across the segments, and the gross margin of each segment to be in the region of 28%.

The alternative performance measures in these management projections for 2023 have been consistently estimated with the accounting principles applied in the consolidated financial statements. All of the above management projections are forecasts and may be proved wrong and are especially uncertain because of the multidimensional and unpredictable effects of the global economic situation. However, we are confident that in the medium-term, our business has the potential to deliver years of strong organic revenue growth and Adjusted EBITDA margin of at least 15%.

Nagarro continues to evaluate potential acquisition targets. Acquisitions, if any, are more likely to be of a bolt-on nature than transformative. The primary strategy is to acquire for client access, so as to better leverage our existing capabilities and case studies. However, there is always the possibility of an opportunistic transaction that deviates from our current strategy.

We expect customer satisfaction in 2023 to be at approximately the same level as at the end of 2022, at around 92%, as measured with the new format of the customer satisfaction survey. We expect that the number of employees will continue to increase. Changes in customer numbers are difficult to predict but we expect an upward trend.

XI. Risks and opportunities

Nagarro's entrepreneurial culture means that we are always encountering opportunities and risks at different points in the organization. Our philosophy is to make good use of opportunities by taking calculated risks, avoiding very large risks if at all possible, and steering clear of all unnecessary risks.

For every Nagarrian, risk management not only means complying with applicable laws and regulations, but also ensuring that the company continues to grow and improve in everything it does. To achieve this, the goal is to create a risk aware organization prepared for a changing world, with a strong focus on entrepreneurship and responsibility on all levels.

Nagarro's risk management system is meant to be lean and usable, yet comprehensive. It is meant to preserve agility and entrepreneurial spirit while monitoring and controlling for risk across Nagarro's global footprint which, at most times, includes some recently acquired businesses in the process of integration. Our risk management is based on the COSO Framework, which provides clear direction and guidance for enterprise risk management. COSO was also used as the framework for the Group accounting process.

Compared with the risk management system used in prior years, the new approach based on the global COSO Framework takes into account a categorization of risks based on organizational requirements. Furthermore, a continuous improvement process was introduced, with quarterly reviews and topic specific audits. The workflow is based on an automated process using Nagarro's operating tool, Ginger, so that some manual processes have been replaced. The risk management process is centrally steered and aligned with Nagarro's global organizational structure.

The foundation of risk management in Nagarro's distributed context is uniform standards, training, processes, and systems throughout the company. This begins with the Nagarro Constitution, our global code of conduct that is applicable to every Nagarrian and especially to management. The Nagarro Constitution provides contextual rules for dealing with sensitive information and non-disclosure, personal data and privacy, intellectual property ownership and protection, conflicts of interest, non-compete and non-solicitation, discrimination and harassment, unfair competition and corruption, among other topics. Each newly acquired business eventually adopts the Nagarro Constitution as well as Nagarro's personnel management, project management and financial systems.

The focus of this system is on preventive measures, which include an early risk identification process based on the quarterly risk management cycle and risk assessments conducted by a dedicated team in all business units and operations worldwide. The early risk detection process includes risk identification, risk assessment, risk communication and continuous monitoring of the early detection system. In the event that significant risks are detected, both the Management Board and, if applicable, the Supervisory Board are informed immediately.

On top of this strong foundation of largely uniform standards, training, processes and systems, sits the risk management function. This has a hub-and-spoke design. The central Risk and Compliance Council, led by a member of the Management Board, acts as a monitoring hub for the various individual risk management processes that sit in different operating functions, including the business units, the service regions, the legal entities and the central functions like finance. In this role, it examines and coordinates action on the key information related to risk identification, analysis, prioritization, ownership and mitigation from across the company. The Risk and Compliance Council interacts especially closely with functions that are primarily occupied with risk topics, such as the Security Council, the Global Privacy Circle, and the Business Legal team that manages client contracts.

Nagarro's business operating system, Ginger, now makes the hub-and-spoke design work by facilitating the data gathering from the different operating functions for the central risk and compliance organization. The risk register was developed on the principle of "low touch, lean and scalable" on the Ginger platform as a bidirectional process that connects user functions to the risk register, which contains defined risk attributes and allows the compliance team to execute and monitor the risk mitigation process using the data on Ginger. Risk identification and reassessment is done on a quarterly basis. Risks are evaluated by financial impact and probability of occurrence. The risk owner defines risk control activities and also assesses the effectiveness of these. Where deemed appropriate, escalation levels and pathways are defined. The inputs are mapped to the risk register, which is monitored by the risk and compliance organization and reviewed by the auditors as part of the year-end audit.

The central risk and compliance organization has identified four risk categories for our future use: legal and regulatory risks, operational risks, financial risks, and bad actor risks. The existing catalogue of risks is aligned to these four risk categories. Where a risk may conceivably be placed in more than one category, we have used our discretion to choose the category that appears more appropriate.

Nagarro is using the heat map process to identify and mitigate risks identified. The criteria applicable for this process are the probability of likely impact based on the risk attribute, number of mitigation plans shared by various stakeholders and associated mitigation plans. The Nagarro operations management team makes the hub-and-spoke concept work by facilitating data collection and movement. It collects data from the various operational functions for the central risk and compliance organization to update information for risk identification, analysis, prioritization, accountability and mitigation and is monitoring certain processes directly. Risks are classified according to the risk amount, taking into account the probability of occurrence. The following ranges apply for the purpose of classifying the risk amount: low € 1-5 million, medium € 5-20 million and high > € 20 million. This classification was introduced for the first time in 2021. The identified risks are in the low category. In addition, the early risk warning management system and the associated processes were audited by the external auditor.

Management does not see any threat to the Nagarro group's status as a going concern. The current set of risks to the Nagarro group are considered manageable. Nagarro financial resources are stable, with liquidity requirements currently covered by existing liquidity and available financing instruments.

Below, we shall highlight the major risks from the risk catalogue in each risk category, followed by a list of major opportunities. These lists are not exhaustive. The nature of "unknown unknowns" is such that other risks may arise that we had not anticipated at all.

Please also note that all opportunities and risks expected to materialize have already been incorporated into the forecast presented in the previous section, "[Outlook for 2023](#)". The major risks listed below are those that may yet lead to deviations from the given outlook.

Regulatory risks

As a company domiciled and listed in Germany, our top priority is to stay in compliance with Germany company law as well as the requirements of financial authorities, especially BaFin. Beyond this, we operate in many countries, each with different regulatory requirements. It is imperative for us to stay in every case in compliance with each country's laws, including company law, labor law, anti-bribery law, anti-corruption law, international sanctions, etc.

Since international travel and even international relocation occurs often in our business, immigration law also becomes an important source of risk. Being a politically charged topic in many countries, immigration is prone to sudden and substantial changes in regulations or in practice. Beyond the explicit rules about the type of work possible on each visa type and under what conditions, we also voluntarily apply more constrained guidelines to reduce our exposure.

Any violation of laws by our employees, independent contractors, clients, subcontractors and agents, including third parties we associate with or companies we acquire, could expose us to penalties, fines or business restrictions. We therefore require each of our employees to accept and act in accordance with the Nagarro Constitution, and our business partners to accept and act in accordance with our Supplier Code of Conduct.

Operational risks

For the high-quality talent we use, we not only compete with companies in our own industry but also with companies in other industries. When the job market heats up, salary expectations and attrition levels may rise.

In our line of work, we often use and enhance our clients' intellectual property. We have to protect it adequately. We are also subject to data security and privacy regulations such as the GDPR.

We have to perpetually guard against security breaches and their potential impact, for which we have a dedicated security team. We also have to plan for various types of crises: for business continuity and disaster recovery.

Our performance is affected by macro-economic trends. It is also affected by the constant evolution in the technologies we use, in the different industries that we service, and in our competitor landscape. To mitigate some of these risks, we are fairly broad-based in terms of our technology portfolio and diversified in terms of the countries and industries that we service. We also invest forward to build new capabilities.

Our reputation is susceptible to damage by actions or statements made by current or former employees, clients, competitors, vendors, reporters and adversaries in legal proceedings.

Artificial Intelligence tools as well as low-code and no-code platforms will greatly increase the productivity of software developers. While this creates remarkable opportunities for humankind to do more and more with technology, there is the risk that it may create unforeseen pressures for the IT services industry.

Financial risks (and use of financial instruments for risk management)

Our use of financial instruments for risk management is limited to the hedging of currency risk.

Currency risk is the risk that currency exchange rates may change, affecting our results. Since we operate around the world, we often bill our clients or pay our colleagues in non-Euro currencies. Changes in currency exchange rates can impact both our revenue and profitability KPIs. The goal of our efforts to mitigate currency risk is on the profitability side. Now, given enough time, we can often renegotiate billing rates to tackle disadvantageous changes in currency exchange rates. However, there is a short-term risk of currency movements, which we mitigate partially through currency hedging for the largest service region, India. Further, we have a natural hedge available to us in our major revenue regions like US and Germany where a significant part of our revenues and expenses are in the same currency.

This hedging is not at the individual transaction level but rather based on the aggregate receivables of the India entity. In 2022, we primarily hedged seven currency pairs during the year: USD-INR (USD 127.4 million hedged), EUR-INR (€46.4 million hedged), SEK-INR (SEK 108.2 million hedged), GBP-INR (GBP 11.4 million hedged), AUD-INR (AUD 6.9 million hedged), ZAR-INR (ZAR 108.3 million hedged) and USD-CNY (USD 23.0 million hedged).

To ensure the intended effectiveness, the currency hedging follows a documented policy. The policy involves a monthly process to hedge a fixed fraction (typically 1/12) of the expected receivable for each month up to one year in the future if still unhedged, plus a mechanism allowing some room for opportunistic hedging beyond that, with adequate oversight and amount limits. The maximum tenure is one year.

In addition, we may also face currency risk when we acquire companies for a purchase price denominated in a non-Euro currency. In these cases too, we consider hedging our currency risk.

Liquidity risk is the risk that the group may not have enough liquidity to meet obligations associated with its financial liabilities. Our goal is to have sufficient liquidity to run our business smoothly. We manage liquidity by monitoring it continuously by forecasting our inflows and outflows and taking commensurate steps in response. To ensure adequate liquidity at all times, we use bank credit facilities, leasing services (for procuring computers and equipment, and for buildings) and factoring facilities to finance our operations and our investment activities. As of December 31, 2022, the financial liabilities of the group amounted to €369.5 million (December 31, 2021: €361.3 million), of which €111.4 million are due within one year (December 31, 2021: €110.4 million). As of December 31, 2022, 100% of the current financial liabilities were covered by the current financial assets in the amount of €274.6 million (December 31, 2021: €227.4 million). The net current liquidity position of financial assets and liabilities has increased by €46.2 million from €117.0 million in December 31, 2021, to €163.2 million as of December 31, 2022. The group has sufficient factoring arrangements in the USA, Germany, Austria and in 2022 in France. During the year, the syndicated loan facility has increased from €250.0 million to €350.0 million. As at the year-end, Nagarro has almost utilized 59% of the syndicated loan facility.

The covenant package for our syndicated loan facility includes customary restrictions on total net leverage, minimum equity thresholds for pre-agreed milestones, permitted disposal and acquisitions, permitted financial indebtedness, and guarantees, dividend payments and change of control. In general, a breach of the financial covenants, non-payment of interest amounts payable, any non-compliance with the provisions of the loan agreement and insolvency of the company, carry the risk of an event of default, which if not cured within the remedy period, will lead to a default on the credit facility.

Credit risk is the risk that clients or contracting parties may not meet their obligations and that contract assets, receivables and other financial assets may default. Credit risks in the group arise from operations and from certain financing activities. Our goal is to

keep the ratio of default to customer revenue within the acceptable limit of 1%. We manage our default risk by evaluating the financial health of a prospective customer at the beginning of the engagement and set up their credit terms accordingly. For existing customers, Nagarro's receivables are managed, and incoming payments tracked, on a partially decentralized basis. The theoretical maximum credit risk corresponds to the carrying amount, totaling €295.3 million (December 31, 2021: €240.9 million). The group recognized impairments of €6.6 million (December 31, 2021: €5.4 million) on the gross amount of total customer receivables and other financial assets as of December 31, 2022. The impairment ratio on the gross amount was 2.2 % (December 31, 2021: 2.2 %).

Interest rate risk is the risk that interest rates can change, thereby impacting our results. Our goal is to minimize the interest expense for the group. So, we leverage our relationship in lower interest rate regions for getting loan facilities on attractive terms. The interest rates we get are often subject to covenants, e.g., on our syndicated loan facility. We regularly track our covenants to ensure compliance and make financial decisions to ensure that our net debt to EBITDA ratio is within acceptable limits. No deterioration in interest costs due to these covenants is currently expected. Our floating-rate financial liabilities totaled €210.9 million (December 31, 2021: €203.8 million) which have increased due to the term loan of €11.5 million (December 31, 2021: €24.5 million) taken during the year offset by repayment of €4.0 million (December 31, 2021: €6.0 million) during the year. Nagarro monitors the interest rate situation and adjusts its strategy accordingly.

Part of our risk management is the internal control system, which covers financial statements accuracy, revenue forecast quality, cost forecast quality, cash flow forecast quality, bad debt forecasting and management, management of debt covenants, and insurance cover adequacy. In principle, the objective of the internal control system is to prevent or reduce the probability of occurrence of potential risks. Both the system itself and the methods used are subject to continuous improvement, with the effectiveness of the system being regularly assessed on the basis of analysis of data gathered from the financial systems and audit-related procedures. Any weaknesses identified in the internal control system are eliminated. In the event of significant changes to the internal control system, both the Management Board and, if applicable, the Supervisory Board are informed immediately.

Bad actor risks

An agile and entrepreneurial approach can be no excuse for laxity in preventing ill-intentioned or otherwise illegitimate behavior by our colleagues or business partners. The risks we primarily monitor and control for in this category are those related to bribery and corruption (vis-à-vis authorities, clients or suppliers), conflicts of interest or self-dealing, illegitimate bank operations or payments, unsanctioned contracting, worker discrimination, and harassment including sexual harassment.

Overall assessment of risk

In the description above, we have outlined all the substantial risks that we perceive. The most important long-term risk, we believe, is technology disruption, with software becoming increasingly easier to write. We address this with our focus on lean, small teams with high value-addition. The most important short- and medium-term risk stems from the macro-economic conditions, which we manage by spreading our revenue base both geographically and across industries.

The overall assessment of risk is that the risks are well-understood and appear to be manageable. At the moment, no risks have been identified that either individually or in combination could endanger Nagarro's ability to continue as a going concern. In our opinion, there have been no material failures in the past that can be realistically traced to a failure of our risk management policy or processes. There were also no significant changes in risks compared with the previous year. Risk assessment is not performed by segment, as most risks are global in nature and therefore apply to all segments.

It would be amiss to talk of risks without a word on opportunities. In the long-term, we see the opportunity for Nagarro to become one of the world's most reputable software services companies. We see the opportunity for Nagarro to be in consideration as a potential vendor when any major digital transformation project has to be commissioned, especially in the German-speaking region.

With these as overall objectives, we see three major areas of short-term and medium-term opportunity.

Sales and marketing opportunities

Nagarro is positioned as a digital product engineering specialist with a special aptitude for handling the type of work generated by digital transformation initiatives. The global spending on digital transformation is expected to keep growing in the medium term. As also mentioned above, IDC, an independent research firm, expects a 16.3% CAGR in digital transformation spend between 2022 and 2026.

We see an opportunity to improve our sales and marketing engine to take full advantage, in a more robust fashion, of the continued expansion of our digital transformation market in the medium-term. Nagarro sees the opportunity to be recognized as a leader in this fast-growing sub-sector.

While Nagarro's brand awareness has improved with the listing in 2020 and our subsequent efforts, we believe there is still the possibility to improve it even further and we continue to invest in that direction. We also see the opportunity to systematize and improve our new account sales and partner sales processes to drive reliably rapid growth in the future.

Engineering and operations opportunities

We are always enhancing our technology and industry-related capabilities to support the digital transformation of our clients. Side by side, we are improving our global processes and systems to build a robust, scalable and differentiated company.

A significant opportunity is the increase in productivity that AI-assisted software development, and low-code and no-code software development will deliver.

With an eye on the war for talent, we continue to especially focus on processes and systems related to employer branding, candidate sourcing, recruitment, onboarding, and general employee experience. Related to employee experience is the opportunity to continue to institutionalize and strengthen the company's unique culture. We see the opportunity to be a leader in how a company culture can be propagated even in the context of globally dispersed project teams.

Acquisition opportunities

Over the years, we have acquired companies and new colleagues to add capabilities or gain access to new clients in various industries and geographies. We see opportunities to continue to acquire companies that are excellent but subscale or limited by their geographical footprint. We also see the opportunity to continue to improve our integration processes.

Overall assessment of opportunities

In general, we feel cautiously optimistic about the immediate opportunities, despite the global macro-economic environment. The overall assessment of opportunities is that they are well understood, and the company can be managed to take advantage of them. We feel strongly optimistic about the medium- and long-term potential of the business. This is also in line with the commentary of external analysts and experts regarding the opportunities in our industry and especially in our peer group.

In comparison with how things appeared a year ago, the short-term potential appears subdued but still quite assured, while the medium- and long-term potential remains mostly unchanged.

Please note that in Nagarro's current business context, we do not think it is useful to quantify opportunities in the same way as we quantify risks. We also do not analyze or report opportunities at a segment (client region) level.

Key features of the accounting-related internal control system

Nagarro's internal control system has the task to ensure that our accounting and financial reporting is both accurate and reliable.

The first building block for this is the mandatory accounting policies and guidelines that apply to every legal entity across the group. Changes in statutory regulations and accounting standards are incorporated into these policies and guidelines promptly. They are also reviewed and revised periodically.

The second building block is the organizational measures that incorporate the risk-oriented segregation of duties and establish clear individual responsibilities.

The third, and very important, building block is the integration of controls in the processes and major IT systems. Technological controls are, for example, embedded in the SAP S/4HANA system. It incorporates segregation of duties and other best practices to ensure correct recording and recognition of business transactions. We typically onboard acquired companies to the common IT systems in a timely manner, either before or just after the end of the earnout period for the entrepreneurs. Access restrictions in the IT systems protect our data against abuse.

The fourth and final building block is the process-independent monitoring and auditing in line with the Generally Accepted Auditing Standards. Different groups in the finance and accounting team check and audit the results at various levels. Nagarro's risk management system also tracks and manages several accounting-related risks. For mitigation of these risks, the accounting team is supported by the operations management team, which uses other enterprise data to independently review the plausibility of the main numbers emerging from the accounting processes.

To prepare the consolidated financial statements, data from the legal entities, including those not yet on the common systems, is brought together in the LucaNet consolidation tool. Reporting figures are checked and analyzed every month as part of monthly reporting.

The Management Board is responsible for the oversight and improvement of the internal control system. The Supervisory Board is periodically briefed on the subject.

XII. Comments on the financial statements of Nagarro SE

Nagarro SE, based in Munich, Germany, is the parent company of the Nagarro Group. The comments on the Nagarro Group in earlier sections apply to Nagarro SE, unless presented differently in the following section. The Financial Statements of Nagarro SE are drawn up in accordance with the provisions of the German Commercial Code (HGB) and the relevant supplementary provisions contained in the German Stock Corporation Act (AktG).

Nagarro SE uses key financial performance indicators only at the group level as Nagarro SE acts only as a managing holding company of the Nagarro group. The key non-financial performance indicators are essentially identical and concurrent with those of the Nagarro Group. The key financial performance indicators are described in detail in the Section [A.V. Financial performance](#) of the combined management report. The non-financial performance indicators are described in detail in the Section [A.VII. Non-financial KPIs](#) of the combined management report.

Differences in accounting treatments based on HGB (used for the company financial statements) and IFRS (used for the group financial statements) are mainly related to recognition and measurement of intangible assets, financial assets, and provisions, as well as the recognition of deferred tax assets. Differences also arise in the presentation of assets and liabilities and of items in the income statement.

Business environment and review of operations

The general and sector-specific environment of Nagarro SE is essentially the same as that of the Nagarro Group and is described in Section [A.III. The business environment](#) of the Combined Management Report.

The business activities of Nagarro SE in the 2022 financial year included the purchase of treasury shares. In 2021, Nagarro SE issued stock options to the members of the Management Board and members of the management of Nagarro SE and its group companies and employees of group companies. These stock options were fair valued and the fair value of the options was cross charged to respective group companies resulting in other operating income for Nagarro SE. Further, profit-sharing agreements were entered between Nagarro SE and two German companies, from which profits from these companies were transferred to Nagarro SE. One of the main activities of Nagarro SE is to finance the group companies. Against this background, only very low revenue, increased other operating income and income from investments were recognized in the 2022 financial year. These were offset by other expenses.

The Management Board of Nagarro SE considers the development in fiscal year 2022 to be satisfactory.

Nagarro SE's results of operations, financial position and net assets for the financial year 2022 are indicative of its solid financial condition. Business developed in line with management expectations. This assessment also takes into account events after the end of the reporting period.

Results of operations

Profit or Loss	2022	2021
in mEUR		
Revenue	-	-
Other operating income	10.7	7.7
Personnel expenses	(0.8)	(0.7)
Depreciation / amortization	-	-
Other operating expenses	(21.5)	(6.1)
Income from other investments and long-term loans	2.2	1.1
Interest and similar expenses	(7.3)	(5.0)
Income from investments	2.6	-
Income from profit and loss transfer agreements	12.0	11.2
Result before taxes	(2.1)	8.3
Tax income (expense)	(2.6)	4.2
Net (loss) profit for the year	(4.7)	12.5
Loss brought forward from previous year	(3.4)	(15.9)
Accumulated deficit	(8.1)	(3.4)

Other operating income increased by €3.0 million from €7.7 million in 2021 to €10.7 million mainly due to increase in foreign exchange gain of €7.8 million. This has been offset by decrease in income from group companies by €2.7 million from €5.6 million in 2021 to €2.8 million (fair value of stock options granted in January 2021 cross-charged to group companies) and one-time gain on merger of €1.9 million recognized in 2021.

Personnel expenses increased by €0.1 million from €0.7 million in 2021 to €0.8 million due to addition of one more employee during the year.

Other operating expense increased by €15.4 million from €6.1 million in 2021 to €21.5 million mainly due to the expense from the purchase of treasury shares, foreign currency expense of €7.7 million and increase in legal and professional fees by €0.3 million. This is offset by reduction in one-time costs of €2.6 million related to the rollover of non-controlling interests in 2021.

Income from other investments and long-terms loans have increased by €1.1 million from €1.1 million in 2021 to €2.2 million due to the increased loans to group companies.

Interest and similar expenses have increased by €2.3 million mainly due to fees of €1.4 million paid for increase in the syndicated loan facility from €250.0 million to €350.0 million. Further, the interest expense increased by €0.9 million with increase in the term loan from €193.5 million to €205.0 million.

Income from profit and loss transfer agreements increased by €0.8 million from €11.2 million in 2021 to €12.0 million, due in particular to an increase in profits transferred by the two German group companies. Dividend income of €2.6 million was received from one group company.

Profit after tax has decreased by €17.2 million from a profit of €12.5 million in 2021 to a loss of €4.7 million mainly due to the above-mentioned effects. Income taxes of € 2.6 million comprise the expense from the reversal of deferred taxes of € 2.0 million and the income tax expense of € 0.6 million.

Statement of financial position

Assets	2022	2021
in mEUR		
Intangible assets	-	-
Shares in affiliated companies	381.3	380.4
Loans to affiliated companies	68.4	56.4
Intangible and investment assets	449.7	436.9
Accounts receivables from affiliated companies	14.1	6.3
Other assets	1.7	1.4
Cash in hand, central bank balances, bank balances and cheques	2.7	19.1
Current assets	18.5	26.8
Prepaid expenses	1.1	0.8
Deferred tax assets	2.9	4.8
Total assets	472.2	469.3
Equity and liabilities	2022	2021
in mEUR		
Share capital	13.8	13.8
Treasury shares	(0.1)	-
Capital reserve	233.2	233.2
Accumulated deficit	(8.1)	(3.4)
Equity	238.7	243.6
Provisions	2.0	2.6
Liabilities to banks	205.0	193.5
Trade payables	0.3	1.3
Liabilities to affiliated companies	25.2	27.4
Other liabilities	1.0	0.8
Liabilities	231.5	223.1
Total equity and liabilities	472.2	469.3

Shares in affiliated companies increased by €0.9 million to €381.3 million as of December 31, 2022, as against €380.4 million as of December 31, 2021 mainly due to additional investment of €0.8 million in an existing affiliate company and €0.1 million in four newly incorporated affiliated companies.

Loans to affiliated companies increased by €12.0 million to €68.4 million as of December 31, 2022, as against €56.4 million as of December 31, 2021 due to additional loans of €39.2 million. This was offset by return of loans of €27.2 million.

Accounts receivables from affiliated companies have increased by €7.8 million to €14.1 million as of December 31, 2022 (December 31, 2021 : €6.3 million) mainly due to receivables from profit transfers and payments from affiliated companies.

Other assets increased by €0.3 million to €1.7 million as of December 31, 2022, as against €1.4 million as of December 31, 2021 mainly due to increase in VAT receivables by €0.3 million.

Cash and bank balances decreased by €16.4 million to €2.7 million as of December 31, 2022, as against €19.1 million as of December 31, 2021 mainly due to increase in loans given to affiliated companies and other expenses.

Deferred tax assets decreased by €1.9 million to €2.9 million as of December 31, 2022, as against €4.8 million as of December 31, 2021 due to utilization of carried forward losses.

Equity has decreased by €4.9 million to €238.7 million as of December 31, 2022, as against €243.6 million as of December 31, 2021.

Provisions have decreased by €0.6 million to €2.0 million as of December 31, 2022, as against €2.6 million as of December 31, 2021 mainly because the income tax provision was reduced by €0.8 million.

Liabilities to banks have increased by €11.5 million to €205.0 million as of December 31, 2022, as against €193.5 million as of December 31, 2021 mainly due to net additional loan of €11.5 million taken during the year.

Liabilities to affiliated companies have decreased by €2.2 million to €25.2 million as of December 31, 2022, as against €27.4 million as of December 31, 2021 mainly due to settlement of loans with some affiliated companies.

Risks and opportunities

Nagarro SE's performance is essentially dependent on the same set of risks and opportunities that affect the Nagarro Group, and which are described in detail in section [A.XI. Risk and opportunities](#) of the Combined Management Report. As a general rule, Nagarro SE participates in the risks entered into by Group companies in proportion to the respective shareholding percentage. At the same time investments have a significant impact on the earnings of Nagarro SE.

Nagarro SE is integrated in the Group-wide risk management and internal control systems of the Nagarro Group. Further information is provided in the sub-section [Key features of the accounting-related internal control system](#) of the Combined Management Report.

Outlook

Due to its significance in the Group and its close ties with Group companies, expectations for Nagarro SE related to key financial performance indicators and its non-financial performance indicators correspond largely to the Nagarro Group's outlook. This is described in detail in the section [A.X. Outlook](#) section of the Combined Management Report. Further, the financial position of Nagarro SE will be stable in 2023, the main income will derive from profit-sharing agreements, interest income on loan given and other operating income with group companies.

LOHR + COMPANY GmbH Wirtschaftsprüfungsgesellschaft, Duesseldorf, has issued an unqualified audit opinion on the financial statements of Nagarro SE, of which the balance sheet and the income statement are presented here. The Nagarro SE financial statements for the financial year 2022 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company's registered [website](#).

XIII. The way forward

We have been investing for several years in building a modern, agile, entrepreneurial, and humanistic company, with a distinctive organizational design and culture. We have had a great year in 2022 and are likely to cross a significant top line milestone in 2023. But our race does not end there. Our longer-term goal is to scale Nagarro up to become one of the world's obviously great companies.

And while doing this, we want to make a dent in humanity's existential challenges by helping make distance and difference irrelevant between intelligent people everywhere.

That is the longest race, but that is also a great prize to race for!

Best regards,

Nagarro's senior management team

Ajay Goel, Alexandra Sumper, Alina Oprea, Amit Chawla, Amit Sharma, Ananda Sengupta, Andrei Doibani, Annette Mainka, Anurag Sahay, Ashish Agrawal, Ashok Thomas, Bachar Kassir, Balkrishna Dubey, Bhawana Sethi, Cecilia Young, Christian Haller, Cindy Wolf, Claudiu Anghel, Csaba Szabo, Deepak Gupta, Deepak Nohwal, Deepika Purewal, Dora Muntean-Balog, Fangfang Jiang, Farha Ahmad, Gagan Bakshi, Ganesh Sahai, Gulshan Kumar, Hannes Färberböck, Hitesh Kathuria, Jason Castellani, Jaspreet Kaur, Jon-Erik Trøften, Jonas Olsson, Jörg Dietmann, Kanchan Ray, Kapil Nagpal, László Nagy, Leo Kistner, Lilian Gui, Ludwig Brännig, Madalina Vlasin, Manas Human, Manish Krishnan, Manish Kumar, Manmohan Gupta, Maria Elena Solis, Marius Luca, Marius Schmelcher, Marius Patea, Martin Hack, Matthias Krefeld, Meghna Agarwal, Michael Prectel, Michael Schmidt, Michel Rodriguez, Milagros Nepomuceno, Monika Gupta, Neeraj Chhibba, Neha Gupta, Nidhee Pathak, Nisha Kaushik, Nitika Bansal, Noel Cunningham, Parag Gupta, Paul Haberfellner, Paul Lyon, Pragathi Kanth, Prisy Cherian, Priya Dhar, Rahul Mahajan, Rajni Sethi, Ram Reddy, Ramona Gaina, Ramona Tzompov, Ravleen Kaur, Richa Sarabahi, Rodrigo Cruz, Rucha Pandit, Sachin Vijan, Sandeep Anand, Sandeep Mehta, Sanjul Vaish, Sankalpa Gamwari ge, Shailendra Fuloria, Shallu Sarvari, Sharad Narayan, Sharath Gopinath, Sharon Shi, Sheetal Chugh, Shivani Yadav, Shruti Tandon, Stefan Freitag, Stefan Rother, Sunil Kanderi, Surya Vedula, Sven Sommerfeld, Tarun Madan, Thomas Riedl, Thomas Roka-Aardal, Thomas Steirer, Tripti Keswani, Tushar Patil, Umang Garg, Vaibhav Gadodia, Vera Reichlin-Meldegg, Verena Holz, Vikas Burman, Vikram Sehgal, Vikram Singh, Vimmi Walia, Vishwanath Rajashekarappa, Viyom Jain, Yiping Tan



Section B

Standalone financial statements of Nagarro SE

(for the financial year 2022 in accordance
with German GAAP)

I. Balance sheet

ASSETS	2022	2022	2021
in EUR			
A. Fixed assets			
I. Intangibles		8,666.67	10,000.00
1. Purchased rights	8,666.67		
II. Financial assets			
1. Shares in affiliated companies		381,276,583.75	380,444,220.93
2. Loans to affiliated companies		68,413,634.14	56,411,305.94
		449,690,217.89	436,855,526.87
		449,698,884.56	436,865,526.87
B. Current assets			
I. Receivables and other assets			
1. Accounts receivables from affiliated companies		14,129,438.33	6,341,340.01
2. Other assets		1,677,139.92	1,369,828.17
		15,806,578.25	7,711,168.18
II. Cash in hand, central bank balances, bank balances and cheques		2,719,103.59	19,068,021.70
		18,525,681.84	26,779,189.88
C. Prepaid expenses		1,096,207.06	803,821.29
D. Deferred tax assets		2,872,369.99	4,838,575.57
Total assets		472,193,143.45	469,287,113.61

Equity and liabilities	2022	2022	2021
in EUR			
A. Equity			
I. Subscribed capital			
Share capital EUR 13,775,985.00 (December 31, 2021: EUR 13,775,985.00)	13,775,985.00		13,775,985.00
Treasury shares	(103,867.00)		-
		13,672,118.00	13,775,985.00
II. Capital reserve		233,178,015.00	233,178,015.00
III. Retained loss		(8,109,021.71)	(3,381,739.34)
		238,741,111.29	243,572,260.66
B. Provisions			
I. Income tax provisions	1,067,024.00	-	1,924,108.80
II. Other provisions	932,766.89	1,999,790.89	682,258.44
		1,999,790.89	2,606,367.24
C. Liabilities			
I. Liabilities to banks		205,000,000.00	193,500,000.00
II. Trade payables		294,291.35	1,344,575.91
III. Liabilities to affiliated companies		25,155,735.69	27,414,055.11
IV. Other liabilities		1,002,214.23	849,854.69
- there of from taxes EUR 22,746.33 (December 31, 2021: EUR 58,499.60)			
- of which under social security EUR 0.00 (December 31, 2021: EUR 1,450.02)			
		231,452,241.27	223,108,485.71
Total equity and liabilities		472,193,143.45	469,287,113.61

II. Income statement

Profit or Loss	2022	2022	2021
in EUR			
1. Revenue		18,000.00	19,000.00
- of which from affiliated companies EUR 18,000.00 (December 31, 2021: EUR 19,000.00)			
2. Other operating income		10,674,987.90	7,694,207.59
- of which from affiliated companies EUR 2,846,833.00 (December 31, 2021: EUR 5,564,363.00)			
- of which from income from currency translation EUR 7,808,667.89 (December 31, 2021: EUR 109,838.25)			
3. Personnel expenses		(799,182.79)	(651,169.49)
a) Wages and salaries	(760,216.32)		(626,313.38)
b) Social security and other pension costs	(38,966.47)		(24,856.11)
4. Depreciation / amortization			
a) of intangible assets and property, plant and equipment		(1,333.33)	-
5. Other operating expenses		(21,473,462.20)	(6,100,575.08)
- of which from expenses from currency translation EUR 7,749,457.83 (December 31, 2021: EUR 475,316.62)			
6. Income from other investments and long term loans		2,189,537.42	1,085,914.06
- of which from affiliated companies EUR 2,189,537.42 (December 31, 2021: EUR 1,085,914.06)			
7. Interest and similar expenses		(7,278,813.66)	(4,963,150.85)
- of which from affiliated companies EUR 790,790.99 (December 31, 2021: EUR 709,330.59)			
8. Income from investments		2,582,621.21	-
- of which from affiliated companies EUR 2,582,621.21 (December 31, 2021: EUR 0.00)			
9. Income from profit transfer agreements		11,971,098.20	11,194,514.31
10. Result before taxes		(2,116,547.25)	8,278,740.54
11. Taxes		(2,610,735.12)	4,216,684.39
12. Result for the year		(4,727,282.37)	12,495,424.93
13. Loss brought forward from previous year		(3,381,739.34)	(15,877,164.27)
14. Retained earnings		(8,109,021.71)	(3,381,739.34)

III. Notes to the financial statements

A. General Information

1. Corporate Information

Nagarro SE (the “Company”) has its registered office in Munich and is entered in the commercial register at the local court of Munich under HRB 254410. Its registered office is Baierbrunner Str. 15, 81379 Munich, Germany. The Company is listed in Frankfurt Stock Exchange.

Since the beginning of its active business activities, the object of the Company has been the provision of software and technology consulting, development, execution of test procedures, implementation, maintenance, operating and innovation services in the field of software and technology. The Company may itself be active in the aforementioned areas of activity or may also carry out its business activities as a holding company through subsidiaries, associated companies, and joint ventures which it may establish, acquire, sell, hold, manage, advise, and restructure under its uniform management and for which it may assume other administrative tasks. It may manage companies in which it holds participations under uniform management or limit itself to their management. It may transfer their operation in whole or in part to newly established or existing subsidiaries.

As a capital market-oriented company pursuant to § 264d of the German Commercial Code (HGB), the Company has been classified as a large corporation since its listing on the stock exchange on December 16, 2020 pursuant to § 267 para. 3 sentence 2 of the German Commercial Code (HGB). The annual financial statements (individual financial statements) under commercial law as of December 31, 2022, have been prepared in compliance with the provisions of the HGB for large corporations, the Articles of Association and the AktG.

For clarity of presentation, the notes required by law for items in the balance sheet and the profit and loss statement, which may be made either in the balance sheet or the profit and loss account or in the notes, are included in the notes. The profit and loss statement is structured according to the nature of expense method.

B. General Accounting principles

1. Accounting and valuation methods

Fixed assets

Intangibles

Intangibles represent the “Nagarro” brand and carried at cost and are depreciated pro rata over the useful life of 15 years.

Financial assets

The shares in affiliated companies are recognised at acquisition cost or at the lower fair value in the case of an expected permanent impairment. Loans to affiliated companies are recognized at nominal value or at the lower fair value.

Receivables from affiliated companies and other assets

Receivables from affiliated companies and other assets are recognised at the lower of nominal value or fair value in accordance with section 253 (4) HGB. All items subject to risk are written off in full individually.

Cash on hand/balances with credit institutions

Cash and cash equivalents are reported at nominal value. Balances denominated in foreign currency are valued at the mean spot exchange rate on the balance sheet date.

Prepaid expenses and deferred charges

Prepaid expenses are expenses that represent expenditure for a certain time after the balance sheet date.

Deferred taxes

Deferred taxes are recognized for temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts, or due to tax loss carry forwards, using the company-specific tax rates applicable at the time when such differences reverse. The

amounts of any resulting tax charge or benefit are not discounted. Deferred tax assets and liabilities are offset. The option pursuant to section 274 (1) sentence 2 HGB to recognize net deferred tax assets in excess of deferred tax liabilities was applied.

Provisions

Provisions were recognised at the settlement amount required according to prudent business judgment. Provisions with a remaining term of more than one year are discounted at the average market interest rate (published by the Deutsche Bundesbank) corresponding to their remaining term.

Liabilities

Liabilities are recognised at their settlement amounts.

Currency conversion

Assets and liabilities denominated in foreign currencies are translated at the transaction rate or mean spot exchange rate on the balance sheet date.

C. Notes to the balance sheet

1. Fixed assets

The breakdown and development of the individual fixed asset items can be found in the fixed asset movement schedule attached as Appendix 1 to the notes.

The information on the equity and annual results of the subsidiaries (at the same time list of shareholdings in accordance with § 285 No. 11 HGB) is provided in accordance with the individual financial statements prepared in accordance with the respective national regulations and is shown in Appendix 2 to the notes.

Current assets

Receivables and other assets

All receivables and other assets are due within one year.

Prepaid expenses and deferred charges

The prepaid expenses include premiums for a stock exchange prospectus insurance for the performance periods 2021 to 2032.

Deferred tax

Deferred tax assets

The deferred tax assets are calculated with an income tax rate of 30% of the temporary differences between the commercial-law valuations of assets and liabilities and their tax valuations as well as tax loss carryforwards are recognised.

The tax expense resulting from the tax balance sheet does not correspond to the result of the commercial balance sheet. Use has been made of the option to form a netted asset item for deferred tax amounts.

The differences between the commercial balance sheet and the tax balance sheet are due in particular to group companies that are in a fiscal unity relationship with Nagarro SE through a profit and loss transfer.

The deferred tax assets are based in particular on the following differences:

- Book value differences for intangible assets and property, plant and equipment,
- Pension provisions,
- Consideration of tax loss carryforwards.

Deferred tax liabilities, if any, were offset against deferred tax assets.

The deferred tax assets of kEUR2,872 (previous year: kEUR4,839) are subject to a dividend payout block.

2. Equity

Share capital

As of December 31, 2022, Nagarro SE had share capital of EUR 13,775,985 (December 31, 2021: EUR 13,775,985), divided into 13,775,985 (December 31, 2021: 13,775,985) registered no-par value shares, each with a notional interest in the share capital of €1.00 per share.

The share capital increase in 2021 from kEUR 11,383 to kEUR 13,776 results from the issue of shares to:

- the holders of stock options of SOP 2020/I for 194,000 no-par value shares at an agreed option consideration of kEUR 3,162, of which kEUR 2,968 is recognized in capital reserves;
- the holders of previously non-controlling interests in the merger of Nagarro Holding GmbH into Nagarro SE by issuing 2,199,472 no-par value shares as part of a capital increase against contribution in kind.

Each share has a calculated share in the share capital of EUR 1.00. All Nagarro SE's shares are of the same class. The shares are fully paid in.

The share capital developed as follows in the 2022 financial year:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Opening balance	13,776	11,383
Cash received on stock option exercise of SOP 2020/I (according to commercial register entry on May 17, 2021)	-	194
Capital increase against contribution in kind (according to commercial register entry on October 22, 2021)	-	2,199
Closing balance	13,776	13,776

In Xetra trading on the Frankfurt Stock Exchange, on December 30, 2022, the closing price of the Nagarro SE share was EUR 110.60 (December 30, 2021: EUR 202.00).

Authorized capital

The new shares are in principle to be offered to the shareholders for subscription. However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

a) In the case of a rights issue, for fractional amounts arising due to the subscription ratio.

b) For a capital increase against contributions in kind for the (also indirect) acquisition of companies, parts of companies, participations in companies or other assets eligible for contribution in connection with such an acquisition, if the acquisition is in the interest of the Company.

c) For a capital increase against cash contributions, provided that the issue price of the new shares is not significantly lower than the stock exchange price of the shares already listed at the time of the final determination of the issue price, which should be as close as possible to the placement of the shares. The arithmetical portion of the share capital attributable to the shares issued against cash contributions under exclusion of the subscription right pursuant to § 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG) may not exceed a total of 10% of the share capital at the time this authorisation takes effect - or, if this value is lower, at the time this authorisation is exercised. Shares issued or sold during the term of this authorisation until the time of its exercise in direct or

analogous application of this provision as well as shares to be issued or granted on the basis of a convertible or warrant bond issued during the term of this authorisation under exclusion of the subscription right pursuant to section 186, paragraph 3, sentence 4 of the German Stock Corporation Act (AktG) shall be counted towards this limit.

d) For the issue of new shares to the holders of option rights issued by the Company on the basis of the share option programme resolved by the Annual General Meeting on October 30, 2020.

e) For the issue of new shares as part of a long-term incentive programme to members of the Executive Board and employees of the Company as well as to members of the management bodies and employees of companies affiliated with the Company within the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG).

Based on the authorisation granted by the Annual General Meeting of October 30, 2020, the share capital has been increased by EUR 194,000.00 to EUR 11,576,513.00. By resolution of the Supervisory Board of May 19, 2021, the Articles of Association were amended in §§ 4 (Amount and Division of the Share Capital) and 6 (Authorised Capital).

The authorised capital of October 30, 2020 (Authorised Capital 2020/I) still amounts to EUR 5,456,000.00 after partial utilisation.

The Management Board is authorized, subject to the consent of the Supervisory Board, to increase Nagarro SE's registered share capital during the period ending on September 23, 2025 in one or more tranches by up to EUR 5,456,000 in the aggregate by issuing up to 5,456,000 new no-par value registered shares against cash contribution and/or contributions in kind. The subscription rights of shareholders may be excluded under the further conditions specified in Section 6.2 of the Articles of Association of Nagarro SE.

Conditional capital

The share capital of the Company is conditionally increased by EUR 800,000.00 by resolution of the Annual General Meeting of August 31, 2021 (Conditional Capital 2021/I).

The share capital of the Company is conditionally increased by EUR 45,000.00 by resolution of the Annual General Meeting of August 31, 2021 (Conditional Capital 2021/II).

The share capital of the Company is conditionally increased by EUR 4,943,256.00 by resolution of the Annual General Meeting of August 31, 2021 (Conditional Capital 2021/III).

Treasury shares

The Management Board of Nagarro SE decided on September 27, 2022 to make use of the authorization pursuant to Sec. 71 para. 1 no. 8 of the German Stock Corporation Act (Aktiengesetz, AktG) to repurchase shares of the Company, which was granted by the shareholders' meeting of October 30, 2020. In aggregate, up to 115,000 shares of the Company were approved to be repurchased, corresponding to a portion of the current nominal share capital of approximately 0.83%, subject to an overall purchase volume limit of €10 million (excluding ancillary costs of purchase). The repurchased shares may be used for all purposes covered by the authorization.

The share buyback was carried out between September 30, 2022 and October 31, 2022. As at October 31, 2022 and December 31, 2022, a total of 103,867 shares (December 31, 2021: Nil shares) were bought at an average share price of €96.27 per share with a total cost of €10 million (December 31, 2021: Nil), corresponding to a portion of the current nominal share capital of approximately 0.75%.

Regarding the treasury shares which have been bought back, the residual amount between no-par value ordinary bearer shares and the purchase price in an amount of kEUR 9,896 is recognized as other operating expenses.

The transaction cost of kEUR 18 on the buyback of treasury shares has been expensed out and included under other operating expenses.

No treasury shares were acquired or sold in the 2021 financial year.

The Annual General Meeting of Nagarro SE of October 30, 2020 authorised the Management Board pursuant to section 71 (1) no. 8 AktG (subject to the condition precedent of the implementation of the increase of the share capital of the Company to carry out the spin-off of the shareholding in Allgeier Connect AG from Allgeier SE to Nagarro SE) to acquire treasury shares of the Company until September 23, 2025. The Management Board is authorised until September 23, 2025 to acquire treasury shares of the Company in an amount of up to 10% of the share capital existing at the time of the exercise of the authorisation, provided that these shares, together with other treasury shares which the Company has already acquired and still holds or which are attributable to it pursuant to Sections 71a et seq. of the German Stock Corporation Act (AktG), do not at any time account for more than 10% of the share capital. The acquisition may be made on the stock exchange or by means of a purchase offer directed to all shareholders. The consideration for the acquisition of the shares (excluding incidental acquisition costs) may not exceed or fall below the stock exchange price by more than 10%.

The Management Board is authorised, with the consent of the Supervisory Board, to use these shares of the Company for all legally permissible purposes, in particular the following:

- Resale to third parties for cash also other than through the stock exchange or through an offer to all shareholders;
- Use as consideration for a direct or indirect contribution in kind to the Company by a third party, in particular in the case of a merger with companies or the acquisition of companies, parts of companies, participations or other assets;
- Use to fulfil conversion or option rights issued by the Company or its subordinated Group companies vis-à-vis the holders of these rights;
- Use for issuance as employee shares to employees or members of executive bodies of the Company or of companies affiliated with the Company within the meaning of §§ 15 et seq. AktG (German Stock Corporation Act).
- Withdrawal of shares with the consent of the supervisory board without a further resolution of the general meeting of shareholders.

If the sale is made for cash in a manner other than through the stock exchange or through an offer to all shareholders, the sale price may not be more than 5% below the stock exchange price of the shares of the Company at the time of the sale.

Capital reserves

The changes in capital reserves are composed as follows:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Opening balance	233,178	232,410
Cash received on stock option exercise of SOP 2020/I (according to commercial register entry on May 17, 2021, amount exceeding share capital)	-	2,968
Capital increase against contribution in kind (according to commercial register entry on October 22, 2021, amount not exceeding share capital)	-	(2,199)
Closing balance	233,178	233,178

Retained loss

The changes in retained loss are composed as follows:

	Dec 31, 2022	Dec 31, 2021
	kEUR	kEUR
Result for the year	(4,727)	12,495
Loss brought forward from previous year	(3,382)	(15,877)
Retained loss	(8,109)	(3,382)

3. Provisions

Other provisions mainly relate to costs for the Annual General Meeting as at December 31, 2022, of kEUR 100 (December 31, 2021: kEUR 84), outstanding purchase invoices of kEUR 194 (December 31, 2021: kEUR 94) and the costs for the preparation and audit of the annual and consolidated financial statements of kEUR 491 (December 31, 2021: kEUR 300).

Liabilities

The maturities of the liabilities are shown in the following schedule of liabilities.

	Dec 31, 2022	Maturity within one year	Maturity between one and five years	Maturity later than five years
	Carrying amount	Repayment	Repayment	Repayment
	kEUR	kEUR	kEUR	kEUR
Liabilities towards credit institutions	205,000	-	205,000	-
Liabilities from deliveries and services	294	294	-	-
Amounts owed to affiliated companies	25,156	25,156	-	-
Other liabilities	1,002	1,002	-	-
	231,452	26,452	205,000	-

	Dec 31, 2021	Maturity within one year	Maturity between one and five years	Maturity later than five years
	Carrying amount	Repayment	Repayment	Repayment
	kEUR	kEUR	kEUR	kEUR
Liabilities towards credit institutions	193,500	-	193,500	-
Liabilities from deliveries and services	1,345	1,345	-	-
Amounts owed to affiliated companies	27,414	27,414	-	-
Other liabilities	850	850	-	-
	223,108	29,608	193,500	-

Liabilities to affiliated companies include trade payables in the amount of kEUR 139 (December 31, 2021: kEUR 440) and other liabilities in the amount of kEUR 25,017 (December 31, 2021: kEUR 26,974).

The liabilities to banks relate to kEUR 205,000 (December 31, 2021: kEUR 193,500) in loan liabilities.

Guarantees in favour of the banks of the following affiliated companies (original guarantors) were provided as collateral for the liabilities to banks of kEUR 205,000 (December 31, 2021: kEUR 193,500) of Nagarro SE:

- Nagarro ES GmbH, Germany
- Nagarro ES France SAS, France
- Nagarro ES Denmark A/S, Denmark
- Nagarro iQuest Technologies SRL, Romania
- Nagarro Inc., USA
- Nagarro M Inc., USA
- Nagarro Software Inc., USA
- Nagarro GmbH, Germany
- Nagarro GmbH, Austria
- Nagarro Software A/S, Denmark
- Advanced Technology Consulting Service Inc., USA
- Nagarro Software AB, Sweden
- Nagarro AS, Norway
- Nagarro Software Ltd., UK

If other companies are material in the sense of 85% of the consolidated turnover or the consolidated "Adjusted EBITDA" for the credit agreement, they are automatically included in the group of guarantors, with the exception of Indian and Chinese group companies.

Furthermore, there is a negative clause on the unsecured part of the loan in which Nagarro assures the banks that it will not provide any credit collateral to other creditors apart from a group-wide pledge of participations or other assets of a maximum of € 10.0 million and, in addition, an assignment of receivables or bank balances customary for the factoring process.

D. Notes to the income statement

1. Other operating income

Other operating income mainly includes kEUR 2,846 (2021: kEUR 5,564) received from group companies against stock option given to the employees of group companies. It also includes foreign exchange gain of kEUR 7,809 (2021: kEUR 110) and kEUR 0 (2021: kEUR 1,881) gain on disposal of subsidiaries.

2. Other operating expenses

Other operating expenses mainly includes the expenses for the purchase of treasury shares kEUR 9,896 (2021: kEUR 0), foreign exchange loss of kEUR 7,749 (2021: kEUR 475), consulting charges of kEUR 1,505 (2021: kEUR 1,186); audit costs of kEUR 724 (2021: kEUR 314), Supervisory Board remuneration of kEUR 547 (2021: kEUR 563) and stock exchange expenses of kEUR 274 (2021: kEUR 209).

Also, it included costs of restructuring amounting to kEUR 0 (2021: kEUR 2,512).

3. Income from other investments and long term loans

Income from other investments and long term loans includes kEUR 2,190 (2021: kEUR 1,086) received from group companies:

4. Interest and similar expenses

It mainly includes kEUR 6,488 (2021: kEUR 4,254) paid towards the interest and commitment fees of the term loan taken from the banks and kEUR 791 (2021: kEUR 709) interest paid to affiliated companies.

5. Income from investments

It includes dividend of kEUR 2,583 (2021: kEUR 0) received from one group company.

6. Income from profit transfer agreements

It mainly includes profit shares of kEUR 11,971 (2021: kEUR 11,195) received based on profit transfer agreement between Nagarro SE and two German group companies.

7. Taxes

It includes trade tax of kEUR 377 (2021: kEUR 354) and corporate tax of kEUR 263 (2021: kEUR 268).

Further deferred tax expense of kEUR 1,966 (2021: deferred tax income of kEUR 4,839) has been recognized on recognition of deferred tax assets of kEUR 2,872 (2021: kEUR 4,839).

E. Other disclosures

1. Capital and other commitment

On the balance sheet date, there were other commitments in the amount of kEUR 0 (2021: kEUR 10) from vehicle leasing with a maximum term until January 2024 and in the amount of kEUR 11 (2021: kEUR 14) from building rental agreement (net rent per year).

2. Disclosure pursuant to section 160 (1) no. 8 AktG

For the year 2022 and till the date of issuance of these financial statements, Nagarro SE had received the following notifications of voting rights from persons subject to notification regarding reaching, exceeding, or falling below the relevant notification thresholds pursuant to Section 33 (1) WpHG.

Shareholder	Threshold	Total voting rights at the time of notification	Voting rights (direct/ indirect) according to notification	Date of threshold contact according to notification	Date of publication of the notice
Carl Georg Dürschmidt, Germany #	> 20 %	21.48%	2,959,320	16-Mar-22	21-Mar-22
Dr. Christa Kleine-Dürschmidt, Germany #	> 20 %	23.11%	3,183,022	16-Mar-22	21-Mar-22
Laura Pirkl-Dürschmidt, Germany #	> 20 %	21.48%	2,959,320	16-Mar-22	21-Mar-22
Linda Dürschmidt, Germany #	> 20 %	21.48%	2,959,520	16-Mar-22	21-Mar-22
SMALLCAP World Fund, Inc., Lutherville Timonium, USA ##	> 3 %	4.06%	559,779	23-Aug-22	24-Aug-22
The Capital Group Companies, Inc., Los Angeles, USA ##	> 3 %	4.06%	559,779	23-Aug-22	24-Aug-22
Morgan Stanley, Wilmington, USA	> 5 %	7.26%	1,000,212	31-Aug-22	6-Sep-22
Bank of America Corporation, Wilmington, USA	> 3 %	4.97%	685,112	14-Sep-22	16-Sep-22
Detlef Dinsel, Deutschland	< 10 %	9.53%	1,312,178	28-Sep-22	30-Sep-22
Detlef Dinsel, Deutschland	< 10 %	9.23%	1,271,978	7-Oct-22	10-Oct-22
Carl Georg Dürschmidt, Deutschland #	> 20 %	21.58%	2,972,720	4-Oct-22	7-Oct-22
Dr. Christa Kleine Dürschmidt, Deutschland #	> 20 %	23.20%	3,196,422	4-Oct-22	7-Oct-22
Laura Pirkl-Dürschmidt, Deutschland #	> 20 %	21.58%	2,972,720	4-Oct-22	7-Oct-22
Linda Müller-Dürschmidt, Deutschland #	> 20 %	21.58%	2,972,920	4-Oct-22	7-Oct-22
StarView Capital Partners, LLC, Delaware, USA	> 5 %	6.25%	861,589	7-Oct-22	10-Oct-22
Manas Human, India ###	> 5 %	5.81%	800,451	7-Oct-22	10-Oct-22
Morgan Stanley, Wilmington, USA	> 5 %	7.48%	1,029,985	4-Oct-22	10-Oct-22
Morgan Stanley, Wilmington, USA	> 5 %	7.60%	1,046,720	5-Oct-22	11-Oct-22
Morgan Stanley, Wilmington, USA	> 5 %	7.58%	1,044,230	6-Oct-22	12-Oct-22
Manas Human, India ###	> 5 %	5.81%	800,451	7-Oct-22	13-Oct-22
Morgan Stanley, Wilmington, USA	> 5 %	7.74%	1,066,445	7-Oct-22	13-Oct-22
Manas Human, India ###	> 5 %	5.81%	800,451	20-Oct-22	21-Oct-22
Morgan Stanley, Wilmington, USA	> 5 %	7.83%	1,078,526	24-Oct-22	28-Oct-22
Morgan Stanley, Wilmington, USA	> 5 %	8.83%	1,216,687	3-Nov-22	9-Nov-22
Morgan Stanley, Wilmington, USA	> 5 %	7.45%	1,026,682	7-Nov-22	11-Nov-22
Morgan Stanley, Wilmington, USA	> 5 %	6.68%	920,851	8-Nov-22	14-Nov-22
Morgan Stanley, Wilmington, USA	> 5 %	7.35%	1,013,162	15-Nov-22	18-Nov-22
Morgan Stanley, Wilmington, USA	> 5 %	7.31%	1,007,614	16-Nov-22	2-Nov-22
Morgan Stanley, Wilmington, USA	> 5 %	7.32%	1,008,056	17-Nov-22	23-Nov-22
Morgan Stanley, Wilmington, USA	> 5 %	6.91%	952,121	18-Nov-22	24-Nov-22
Goldman Sachs, Wilmington, USA	> 5 %	5.28%	727,044	30-Nov-22	2-Dec-22
Morgan Stanley, Wilmington, USA	> 5 %	7.21%	992,647	30-Nov-22	6-Dec-22
Morgan Stanley, Wilmington, USA	> 5 %	7.02%	967,668	2-Dec-22	8-Dec-22
Morgan Stanley, Wilmington, USA	> 5 %	6.77%	933,110	5-Dec-22	9-Dec-22
Goldman Sachs, Wilmington, USA	> 3 %	4.81%	662,213	6-Dec-22	9-Dec-22
Goldman Sachs, Wilmington, USA	> 5 %	5.50%	757,503	7-Dec-22	9-Dec-22
Morgan Stanley, Wilmington, USA	> 5 %	6.71%	924,626	6-Dec-22	12-Dec-22
Morgan Stanley, Wilmington, USA	> 5 %	6.70%	923,590	7-Dec-22	13-Dec-22
Morgan Stanley, Wilmington, USA	> 5 %	6.32%	871,069	12-Dec-22	16-Dec-22
Goldman Sachs, Wilmington, USA	> 5 %	6.07%	836,816	16-Dec-22	21-Dec-22
Goldman Sachs, Wilmington, USA	> 5 %	5.23%	719,959	21-Dec-22	27-Dec-22
Goldman Sachs, Wilmington, USA	> 3 %	4.76%	655,383	22-Dec-22	28-Dec-22
Goldman Sachs, Wilmington, USA	> 5 %	5.05%	695,419	17-Jan-23	19-Jan-23

Goldman Sachs, Wilmington, USA	> 5 %	4.99%	687,499	18-Jan-23	20-Jan-23
Morgan Stanley, Wilmington, USA	> 10 %	11.62%	1,600,250	20-Jan-23	25-Jan-23
Morgan Stanley, Wilmington, USA	> 10 %	10.15%	1,398,297	27-Jan-23	1-Feb-23
Morgan Stanley, Wilmington, USA	> 5 %	9.95%	1,371,194	31-Jan-23	6-Feb-23
Morgan Stanley, Wilmington, USA	> 10 %	10.16%	1,399,051	1-Feb-23	6-Feb-23
Morgan Stanley, Wilmington, USA	> 5 %	9.70%	1,335,898	2-Feb-23	7-Feb-23
Morgan Stanley, Wilmington, USA	> 10 %	10.15%	1,398,887	3-Feb-23	9-Feb-23
Morgan Stanley, Wilmington, USA	> 5 %	9.74%	1,341,129	9-Feb-23	14-Feb-23
Morgan Stanley, Wilmington, USA	> 10 %	12.71%	1,750,674	24-Feb-23	2-Mar-23
Morgan Stanley, Wilmington, USA	> 10 %	10.32%	1,422,322	15-Mar-23	23-Mar-23
Morgan Stanley, Wilmington, USA	> 10 %	12.33%	1,698,966	20-Mar-23	23-Mar-23

Status: March 24, 2023: WpHG notifications from 1.1.2022 till the date of preparation of the annual financial statements in 2023.

Includes 200,000 shares retransfer claim from securities lending

SMALLCAP World Fund, Inc. and The Capital Group Companies, Inc are associated companies

include stock options issued in 2021

3. Governing bodies of Nagarro SE

Supervisory Board

The members of the Nagarro SE Supervisory Board during the year end 2022 were as follows:

Member	Membership with Nagarro SE	Additional information
Carl Georg Dürschmidt	Chairperson since August 10, 2020 Member and Deputy Chairperson from February 19, 2020 to August 10, 2020	Chairperson of the supervisory board of Allgeier SE (since September 30, 2022) Diplom-Betriebswirt (Business Administration), Resident in Bad Abbach, Germany
Detlef Dinsel	Deputy Chairperson from August 10, 2020 to September 30, 2022 Member from July 15, 2020 to September 30, 2022	Chairperson of the supervisory board of Allgeier SE (until September 30, 2022) Managing Partner of IK Investment Partners GmbH, Dipl.-Ing./MBA Resident in Hamburg, Germany
Shalini Sarin	Member since October 31, 2020	Executive Director at Elektromobilität India Private Limited and Telenergy Technologies Private Limited, Resident in Delhi, India
Christian Bacherl	Member from November 8, 2022 Deputy Chairperson since November 16, 2022	Managing Partner of ACCNITE Partners GmbH Diplom-Betriebswirt (Business Administration), B.Sc. (Computer Sciences) Resident in Vaterstetten-Baldham, Germany

Further memberships of the supervisory board members of Nagarro SE in other supervisory or management boards:

Carl Georg Dürschmidt

- Member of the supervisory board at: Allgeier SE (since July 7, 2022), Chairperson of the supervisory board (since September 30, 2022)
- Chairperson of the supervisory board at: Allgeier Management AG, Allgeier Experts SE, and Allgeier Enterprise Services AG (until September 30, 2021)
- Chairperson of the management board at: Allgeier SE (until September 30, 2021)

Detlef Dinsel

- Chairperson of the supervisory board at: Allgeier SE, Munich (until September 30, 2022); Alanta Health Group, Hamburg
- Member of the supervisory board at: Klingel Medical Group, Pforzheim; chairperson of the supervisory board at Winkelmann Group, Ahlen

- Executive director at: IK Investment Partners S.A.R.L., Luxemburg

Shalini Sarin

- Member of the board at: Linde India; Meritor HVS (India) Ltd; Automotive Axles; and Kirloskar Oil Engines; ISMT Limited (as of March 30, 2023)

Christian Bacherl

- Managing Director of Halidon Ventures GmbH (until February 28, 2023)

Total remuneration of the members of the Supervisory Board in the 2022 financial year was kEUR 547 (previous year: kEUR 563) out of which kEUR 125 (previous year: kEUR 141) were outstanding as at the balance sheet date and subsequent to the year end fixed remuneration was paid. Refer [Nagarro remuneration report 2022](#) for details.

As of December 31, 2022, the members of Supervisory Board directly or indirectly held 2,972,720 (December 31, 2021: 4,507,022) shares in Nagarro SE.

Management Board

The members of the Nagarro SE Management Board during the year end 2022 were as follows:

Member	Membership with Nagarro SE	Additional information
Manas Human (Earlier Manas Fuloria)	Member since July 15, 2020 (Chairperson)	PhD in Engineering Resident in Gurugram, India
Vikram Sehgal	Member since July 15, 2020	Bachelor of Engineering Resident in Los Altos, USA
Annette Mainka	Member since July 15, 2020	Diplom-Betriebswirtin (Business Administration) Resident in Munich, Germany

Further memberships of the management board members of Nagarro SE in other supervisory or management boards:

Manas Human (earlier Manas Fuloria)

- Board Member of Wrig Nanosystems, 2015-2022
- Founder and Trustee of Re-Imagining Higher Education Foundation, since 2018
- Member of the Governing Body of Plaksha University, since 2023
- Member of Residents Advisory Council of the Gurugram Municipal Development Authority, 2019-2021
- Managing Director of Halidon Ventures GmbH, since 2023
- Managing Director of All Nag Beteiligungs GmbH & Co.KG, since 2023

Vikram Sehgal

- Board Member of Hundred Percentile Education Private Limited, since 2007
- Founder of Re-Imagining Higher Education Foundation, since 2019

Disclosures in accordance with § 285 No. 9 HGB

Total remuneration of the members of the Management Board in the 2022 financial year for their services in that capacity was kEUR 991 (previous year: kEUR 1,017) out of which kEUR 549 (previous year: kEUR 555) was from Nagarro SE and kEUR 422 (previous year: kEUR 463) was from other Nagarro companies. Each member of the Management Board was given Nil (December 31, 2021: 15,000) stock options of Nagarro SE during 2022 and as the stock options are not yet exercisable, no expense has been recognized during the year. Refer [Nagarro remuneration report 2022](#) for details.

As of December 31, 2022, the members of Management Board directly or indirectly held 1,654,832 (December 31, 2021: 1,632,452) shares in Nagarro SE.

4. Stock option plan

During the year 2021, Nagarro SE issued stock options. The details of the plans under which these options were issued are as follows:

People addressed	Members of the management of Nagarro SE and its group companies and employees of group companies	Members of the Management Board of Nagarro SE
Number of options authorized	800,000 until October 22, 2025	45,000 until October 22, 2025
Authorization by	General meeting on October 31, 2020	General meeting on October 31, 2020
Plan name	Stock Option Plan 2020/II	Stock Option Plan 2020/III
Number of options granted	410,000 on January 15, 2021, exercise price EUR 95.35	45,000 on January 15, 2021, exercise price EUR 95.35
Vesting period	4 years	4 years
Term	10 years	10 years
Exercise price valuation	110% of the average closing price of the last five trading days prior to the offer	110% of the average closing price of the last five trading days prior to the offer
Average closing price	EUR 86.68	EUR 86.68
Stock price on the grant date	EUR 78.60	EUR 78.60
Vesting condition	25% of the stock options granted to an option holder vest after 12, 24, 36 and 48 months following the issuance date	25% of the stock options granted to an option holder vest after 12, 24, 36 and 48 months following the issuance date
Settlement method	Equity shares of Nagarro SE	Equity shares of Nagarro SE
Exercising of option	Exercisable after a vesting period of 4 years and limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures	Exercisable after a vesting period of 4 years and limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures
Weighted average fair values at the measurement date	EUR 27.19	EUR 27.19
Dividend yield	0.00%	0.00%
Expected volatility	34.27%	34.27%
Risk-free interest rate	-0.37%	-0.37%
Expected life of share options	7 years	7 years
Model used	Binomial	Binomial

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Since no options of the company are traded on derivative exchanges, the expected volatility cannot be determined from the implied volatilities of traded options of Nagarro SE. Historical share prices from the newly listed Nagarro SE were not available at the time of valuation. Therefore, the historical volatility based on price movements of comparable listed companies (peer group) in the past is used as an estimate for the expected volatility. Based on this peer group and with an average exercise period of seven years, Nagarro SE has a historical volatility of 34.27%.

There were no cancellations or modifications to the Stock Option Plan 2020/II and Stock Option Plan 2020/III during the year (December 31, 2021: None)

	2022		2021	
	Numbers of stock options	Weighted average exercise price (EUR)	Numbers of stock options	Weighted average exercise price (EUR)
Outstanding at 1 January	440,000	95.35	-	-
Granted during the year	-	-	455,000	95.35
Forfeited during the year	(15,000)	95.35	(15,000)	95.35
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	425,000	-	440,000	95.35
Exercisable at the end of the year	-	-	-	-

The weighted average remaining contractual life for the stock options outstanding as at December 31, 2022 was 2.05 years (2021: 3.05 years).

The weighted average fair value of options granted during the year was EUR Nil (2021: EUR 27.19).

As both the Stock Option Plans have the same exercise prices of EUR 95.35 thus no range is applicable.

5. Corporate Governance Code

The statement on the Corporate governance code prescribed by Section 161 of the German Stock Corporation Act (AktG) was submitted and made accessible to the shareholders on the website of Nagarro SE.

6. Proposal for the appropriation of the result

The Management Board proposes to carry forward the loss for the financial year 2022.

7. Employees

In addition to the Management Board, there is an average three (2021: two) salaried employees.

8. Disclosures according to § 285 No. 17 HGB

The services provided by LOHR+COMPANY GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, in 2022 are detailed in the notes to the consolidated financial statements.

9. Consolidated financial statements

As the parent company, the Company prepares consolidated financial statements in accordance with International Financial Reporting Standards, as applicable in the EU, and in accordance with the supplementary provisions of commercial law. The consolidated financial statements are published in the Federal Gazette.

10. Events after the balance sheet date

In the period between December 31, 2022 and the date when the financial statements were authorized for issuance by the Board of Directors of Nagarro SE, the following events of particular importance exist:

Employee Share Participation Program

On January 16, 2023, Nagarro rolled out MyN (My Nagarro) program, an Employee Share Participation Program ("ESPP"), globally for every Nagarrarian wherein for every multiple of 3 shares purchased and held by the employees ("investment shares") for 3 years (while staying a Nagarrarian), 1 matching share will be given from Nagarro. The ESPP program has two offerings this year with maximum annual contribution of Eur 2,500 per employee with exception to certain employees. The first offering period was from January 16, 2023 to February 8, 2023.

Since matching shares are equity instruments of Nagarro SE, ESPP is accounted for as an equity-settled share-based payment scheme in line with IFRS 2. Once all eligible employees have decided upon their yearly participation, the fair value of the equity instrument granted is calculated once and fixed for each tranche on the basis of proportional shares price at the grant date taking into consideration the discounted estimated dividends.

The development of acquired investment and estimated matching shares, as well as the parameters used for the calculation of the fair value are as follows:

Tranche 1 (Feb 2023)	
Investment period	February 8, 2023 - February 20, 2023
Matching date	February 20, 2026
Acquired investment shares	12,834
thereof forfeited investment shares	-
Estimated matching shares	4,278
thereof forfeited matching shares	-
Share price at grant date	€ 126.16
Fair value : Discount per investment share	€ 126.16
recognized estimated dividend	€ 0.00
Fair value : matching shares	€ 539,706
recognized discounted estimated dividend	€ 0.00

Covid-19 and macroeconomic conditions

Nagarro's business has not been greatly impacted by either the macroeconomic conditions, the continuing conflict in Ukraine, or the Covid-19 pandemic.

While there have been some signs of potential weakening of demand for Nagarro's services at select clients due to the global macroeconomic situation, by and large the demand is holding up.

Acquisition of Infocore

By way of a stock purchase agreement dated February 23, 2023, Nagarro SE, Germany, acquired Infocore Engineering & IT Services GmbH, Germany and its wholly owned subsidiary Infocore Engineering & IT Services Inc. By way of a stock purchase agreement dated February 23, 2023, Nagarro MENA LLC, United Arab Emirates, acquired Infocore Software Trading and Services FZCO, United Arab Emirates. Also Nagarro Software Private Limited, India signed a business transfer agreement on January 20, 2023 with Infocore Engineering & IT Services Private Limited, India to acquire the net assets of Infocore Engineering & IT Services Private Limited, India in an asset deal. Through these agreements, Nagarro acquired the entire business of Infocore group (together called "Infocore").

Acquisition of MBIS

By way of a stock purchase agreement dated February 28, 2023, Nagarro SE, Germany, plans to acquire M.B.I.S Bilgisayar Otomasyon Danışmanlık ve Eğitim Hizmetleri Sanayi ve Ticaret A.S., Turkey ("MBIS"). MBIS is a full-service provider in the Turkish SAP market and with this transaction Nagarro strengthens capabilities of Global Business Unit SAP which serves customers in different industry segments across the globe. The acquisition of the MBIS business will also support the development of GBU SAP's fast-growing Rest of World segment, with enhanced presence in Turkey and access to Middle East market.

Munich, April 13, 2023

Nagarro SE

The Management Board

Manas Human Annette Mainka Vikram Sehgal

Appendix 1 - Statement of changes in fixed assets

Gross carrying amount	Gross carrying amount					Accumulated depreciation and amortization				Net carrying amount	
	1-Jan-22	Additions	Disposal	Foreign exchange impact	31-Dec-22	1-Jan-22	Additions	Disposal	31-Dec-22	1-Jan-22	31-Dec-22
	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR	in kEUR
I. Intangibles											
1. Purchased rights	10	-	-	-	10	-	(1)	-	(1)	10	9
	10	-	-	-	10	-	(1)	-	(1)	10	9
II. Financial assets											
1. Shares in affiliated companies	380,444	832	-	-	381,277	-	-	-	-	380,444	381,277
2. Loans to affiliated companies	56,411	39,161	(27,159)	-	68,414	-	-	-	-	56,411	68,414
	436,856	39,994	(27,159)	-	449,690	-	-	-	-	436,856	449,690
Net carrying amount as at Dec 31, 2022	436,866	39,994	(27,159)	-	449,700	-	(1)	-	(1)	436,866	449,699

Appendix 2 - List of subsidiaries pursuant to section 285 para 11 German Commercial Code

No.	Company	Shareholding	Country of incorporation	Foreign currency (FC)	Equity 12/31/2022		Net profit/ (loss) for the year 2022		Note	Disclosure
					kFC	kEUR	kFC	kEUR		
1	Nagarro SE, Munich, Germany	100.00%	Germany	EUR	238,741	238,741	(4,727)	(4,727)	(1) & (2)	Separate and consolidated annual financial statements in the Federal Gazette (Bundesanzeiger)
	Direct investments of Nagarro SE									
2	Nagarro Inc., San Jose, USA	100.00%	USA	USD	50,753	39,854	15,091	14,321		
3	Nagarro Software Pvt. Ltd., Gurgaon, India	100.00%	India	INR	6,770,685	76,495	1,870,140	22,628		
4	Nagarro Software S.A. De C.V., Monterrey, Mexico	100.00%	Mexico	MXN	32,670	1,566	(17,090)	(806)		
5	Nagarro M Inc., Cupertino, USA	100.00%	USA	USD	4,339	4,054	(1,404)	(1,332)		
6	Nagarro Software Inc., Fishers, USA	100.00%	USA	USD	(17,752)	(16,585)	2,124	2,016		
7	Nagarro Software Solutions (Beijing), Inc., Beijing, China	100.00%	China	CNY	104,931	14,211	39,324	5,555		
8	Nagarro Software Solutions (Xi'an), Inc., Xi'an, China	100.00%	China	CNY	8,587	1,163	355	50		
9	Advanced Technology Consulting Service Inc., New Jersey, USA	100.00%	USA	USD	49,859	44,096	(3,570)	(3,388)		
10	ATCS Australia Pty Ltd, Melbourne, Australia	100.00%	Australia	AUD	1	0	(50)	(33)		
11	Advanced Technology Consulting Service Canada Inc., Toronto, Canada	100.00%	Canada	CAD	511	352	(132)	(97)		
12	ATCS (Beijing) Technology Consulting Company Limited, Beijing, China	100.00%	China	CNY	5,848	792	1,141	161		
13	Ace Outsource LC, Salt Lake City, USA	100.00%	USA	USD	19,978	18,006	511	533		

No.	Company	Shareholding	Country of incorporation	Foreign currency (FC)	Equity 12/31/2022		Net profit/ (loss) for the year 2022		Note	Disclosure
					kFC	kEUR	kFC	kEUR		
14	RipeConcepts Incorporated, Cebu, Philippines	100.00%	Philippines	PHP	68,179	1,143	(1,654)	(29)		
15	Nagarro GS Inc., San Jose, USA	100.00%	USA	USD	872	815	862	818		
16	Nagarro Global Services Asia Pte. Ltd., Singapore	100.00%	Singapore	SGD	2,234	904	455	314		
17	Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	100.00%	India	INR	2,718,756	30,972	1,528,409	18,493		
18	Advanced Technology Consulting Service Private Limited, Jaipur, India	100.00%	India	INR	934,095	10,547	322,482	3,902		
19	Nagarro SDN. BHD., Kuala Lumpur, Malaysia	100.00%	Malaysia	MYR	4,015	850	685	148		
20	Nagarro K.K., Tokyo, Japan	100.00%	Japan	JPY	123,700	882	5,786	42		
21	Nagarro (Private) Limited, Colombo, Sri Lanka	100.00%	Sri Lanka	LKR	142,580	364	134,157	396		
22	Techmill Global Pte Ltd, Singapore	100.00%	Singapore	SGD	2,074	1,445	307	230		
23	Tech Mills (Australia) Pty Ltd, Sydney, Australia	100.00%	Australia	AUD	839	535	(294)	(188)		
24	Nagarro Software AB, Stockholm, Sweden	100.00%	Sweden	SEK	1,529	137	(3,645)	(343)		
25	Nagarro GmbH, Vienna, Austria	100.00%	Austria	EUR	5,807	5,807	1,452	1,452		
26	Nagarro ATCS GmbH, Kronberg im Taunus, Germany	100.00%	Germany	EUR	1,087	1,087	945	945		Exemption pursuant to Section 264 (3) HGB
27	Nagarro GmbH, Munich, Germany	100.00%	Germany	EUR	15,652	15,652	-	-	(1) & (2)	Exemption pursuant to Section 264 (3) HGB
28	Nagarro Software SRL, Timisoara, Romania	100.00%	Romania	RON	7,499	1,516	1,963	398		
29	Nagarro iQuest Technologies SRL, Cluj-Napoca, Romania	100.00%	Romania	RON	70,386	14,220	795	161		
30	Nagarro iQuest Schweiz AG, Zurich, Switzerland	100.00%	Switzerland	CHF	1,709	1,716	283	277		
31	iQuest SPZOO, Warsaw, Poland	100.00%	Poland	PLN	1,662	354	230	49		
32	Livisi GmbH, Munich, Germany	100.00%	Germany	EUR	960	960	149	149	(1) & (2)	Exemption pursuant to Section 264 (3) HGB
33	Nagarro Software Ltd., London, United Kingdom	100.00%	UK	GBP	2,750	3,107	1,683	1,974		

No.	Company	Shareholding	Country of incorporation	Foreign currency (FC)	Equity 12/31/2022		Net profit/ (loss) for the year 2022		Note	Disclosure
					kFC	kEUR	kFC	kEUR		
34	Nagarro AS, Oslo, Norway	100.00%	Norway	NOK	1,987	188	(1,323)	(131)		
35	Nagarro Pty. Ltd., Sydney, Australia	100.00%	Australia	AUD	789	502	181	119		
36	Nagarro Oy, Espoo, Finland	100.00%	Finland	EUR	726	726	44	44		
37	Nagarro Ltd., Valetta, Malta	100.00%	Malta	EUR	603	603	188	188		
38	Nagarro Pty. Ltd., Pretoria, South Africa	100.00%	South Africa	ZAR	21,058	1,156	8,702	506		
39	Nagarro Inc., Toronto, Canada	100.00%	Canada	CAD	(54)	(38)	(7)	(5)		
40	Nagarro Company Ltd., Bangkok, Thailand	100.00%	Thailand	THB	13,472	364	(706)	(19)		
41	Nagarro Ltd., Port Luis, Mauritius	100.00%	Mauritius	MUR	1,240	26	3,316	71		
42	Nagarro MENA LLC, Dubai, UAE	100.00%	UAE	AED	29,076	7,395	13,471	3,480		
43	Nagarro Software Co. W.L.L, Bahrain	100.00%	Bahrain	BHD	(61)	(152)	(49)	(124)		
44	Nagarro for Information Technology, Riyadh, Saudi Arabia	100.00%	Kingdom of Saudi Arabia	SAR	(95)	(24)	(195)	(49)		
45	Solutions4Mobility LLC, Dubai, UAE	100.00%	UAE	AED	12,713	3,234	1,005	260		
46	Nagarro ES GmbH, Kronberg im Taunus, Germany	100.00%	Germany	EUR	1,155	1,155	-	-	(1) & (2)	Exemption pursuant to Section 264 (3) HGB
47	Nagarro ES France SAS, Entzheim, France	100.00%	France	EUR	2,871	2,871	700	700		
48	Nagarro ES Denmark A/S, Herlev, Denmark	100.00%	Denmark	DKK	610	82	(1,662)	(223)		
49	Nagarro Software A/S, Copenhagen, Denmark	100.00%	Denmark	DKK	3,799	511	4,414	593		
50	Nagarro S.A.S., Quito, Ecuador	100.00%	Ecuador	USD	(325)	(304)	(376)	(357)		
51	Nagarro Software S.A.S., Bogotá D.C, Colombia	100.00%	Colombia	COP	303,837	59	103,837	23		
52	Nagarro, UNIPESOAL LDA, Funchal, Portugal	100.00%	Portugal	EUR	(19)	(19)	(69)	(69)		
53	Nagarro Software, S.L., Madrid, Spain	100.00%	Spain	EUR	0	0	(3)	(3)		

(1) After profit transfer or loss assumption

(2) Profit and loss transfer agreement with Nagarro SE

I. Responsibility statement

Statement pursuant to Section 264 [paragraph] 2 sentence 3 and Section 289 [paragraph] 1 sentence 5 of the German Commercial Code (HGB):

“To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and results of operations of the company, and the Management Report includes a fair review of the development and performance of business and position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.”

Munich, April 13, 2023

Nagarro SE

The Management Board

Manas Human Annette Mainka Vikram Sehgal